Representations received by the Indian Tariff Board in connection with the Board's enquiry regarding the grant of protection to the Oil Industry.

Volume I

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DEPARTMENT OF COMMERCE.

RESOLUTION.

(TARIFFS.)

No. 141-T (39), dated the 26th March 1928.

The Government of India have received representations from a number of companies engaged in the production of petroleum in India asking for protection against the injury inflicted on them by the kerosene price war now in progress in India between the Standard Oil Company of New York and the Royal Dutch Shell Group. The immediate cause of the price war is said to be the purchase by the Standard Oil Company of New York from the Soviet Government of Russia of kerosene which, as the Royal Dutch Shell Group claim, rightfully belongs, wholly or in part, to them. The companies state that as a result of the price war, kerosene is being sold at prices well below world parity, and it is from the serious losses consequent on these uneconomic prices that they ask for protection. The representations indicate that, while some of the producers do not regard their existence as threatened by the dispute, the position of the weaker companies is such that a continuance of the price war might lead to their extinction.

2. The Government of India are not prepared to agree to any scheme of protection which would lay a heavy burden on the consumers, if the result must be, so far as the principal producers are concerned, not to secure a moderate return on the capital invested in the business but to increase profits unnecessarily. It is possible, however, that measures could be devised by which substantial relief could be given to those companies which are most in need of it, while at the same time a disproportionate share of the higher price paid by the consumer would not pass into the hands of the stronger firms. In order that this question may be examined, the Government of India consider that an immediate enquiry should be held by the Tariff Board with the following terms of reference: —

(1) To determine what price for kerosene should be taken to be equivalent to world parity at Indian ports, and the extent to which current prices in India are below that level,

(2) To report whether it is in the national interest that protection against the dumping of imported kerosene should be given, and if so, in what form and for what period, and

(3) To report whether it is likely that the price war will extend to petrol, what the consequences to the Indian producers

are likely to be if it does, and in that case what measures they would recommend.

3. The question to be investigated in the enquiry is the advisability of taking steps to safeguard an Indian industry from injury inflicted by dumping, that is the sale of imported kerosene in India at prices below world parity. In these circumstances, the Government of India consider that no detailed examination of the costs of production will be necessary, and that it will suffice to ascertain by more summary methods the probable effect of the price war on the financial position of the Indian producers. The report of the Tariff Board should reach the Government of India at the earliest possible date, and in any case not later than the 1st July, 1928.

4. Firms or persons interested, who desire that their views should be considered by the Tariff Board, should address their representations to the Secretary to the Board.

ORDER.—Ordered that a copy of the above Resolution be communicated to all Local Governments and Administrations, all Departments of the Government of India, the Central Board of Revenue, the Director General of Commercial Intelligence and Statistics, the Indian Trade Commissioner in London, the Secretary, Tariff Board, His Majesty's Trade Commissioner in India and the Canadian Government Trade Commissioner in India.

Ordered also that it be published in the *Gazette of India.*

J. A. WOODHEAD,

Joint Secretary to the Government of India.

TARIFF BOARD.

Bombay, dated 10th April, 1928.

Press Communiqué.

The Government of India in their Resolution No. 141-T (39), dated 26th March, 1928, have referred to the Tariff Board for summary investigation the applications for protection received from certain Companies engaged in the production of Petroleum in India. The Report of the Board has to reach the Government of India not later than the 1st of July, 1928. The terms of reference limit the enquiry to the following points:—

(1) To determine what price for kerosene should be taken to be equivalent to world parity at Indian ports, and the extent to which current prices in India are below that level,

(2) To report whether it is in the national interest that protection against the dumping of imported kerosene should be given, and if so, in what form and for what period, and

(3) To report whether it is likely that the price war will extend to petrol, what the consequences to the Indian producers are likely to be if it does, and in that case what measures the Board would recommend.

Until the detailed representations called for by the Board are received, the Board will not be able to decide upon the procedure it will adopt or to lay down the directions in which the information furnished may require to be supplemented. In the meanwhile the Board issues the following instructions for the guidance of all Oil Companies interested in the enquiry whether as applicants or as opponents, and of those sections of the general public such as consumers and others who wish to submit their views for the consideration of the Board:—

(1) The Board will close its office in Bombay on Thursday, the 12th April, and re-open it on the 20th April in Rangoon, in the Legislative Council Building.

(2) Unless otherwise notified, formal proceedings will be opened in public in Rangoon at 11 o'clock on Tuesday, the 24th of April, at which the procedure and scope of the enquiry will be more fully explained. Applicants as well as opponents are requested to attend and to be ready for a preliminary examination of their case on that day and on such subsequent days as may be necessary.

(3) According to the normal procedure of the Board, as far as possible all the proceedings of the Board will be con-

ducted in public, unless a reasonable case, which will be considered on its merits, is made out for holding them *in camera*.

(4) The co-operation of any Oil Company which, without being a formal applicant, is interested in the results of the enquiry and can assist the Board with relevant information, will be welcomed.

(5) The effect of the price war on the financial position of the Indian producer is, *inter alia*, one of the points to be investigated. That effect cannot be correctly measured without ascertaining (*a*) in the first instance whether the market price represents a fair selling price to the Indian producer, that is, a price which after covering all works costs leaves him a reasonable margin for overhead charges and profit, and (*b*) whether, if the price is inadequate, the financial resources of the industry are such as to enable it to supply the deficiency without permanent injury to the industry. For this purpose the Board would ordinarily undertake a detailed examination of the costs and financial resources. This however is not possible within the time at the disposal of the Board and in view of this the Board would request all the parties, in their own interests, to submit full information of their costs and their financial resources to the Board at the earliest possible date before the formal opening of the enquiry, and in any case not later than the 20th of April, 1928. The costs and information so furnished will be treated as confidential, and will not be published unless parties have previously agreed to their publication. In addition it is desirable that the companies should supply full information regarding the course of prices of kerosene and petrol in India, both at the ports and in other markets served by the companies, during the last 20 years. The prices of imported kerosene and petrol f.o.b. gulf ports should also be stated.

(6) After the conclusion of the preliminary examination which the Board hopes will be not later than the 28th April, the Board will adjourn in order to consider what further materials are required from the parties at a fuller and more detailed examination subsequently. For this purpose the Board will resume its sittings at Maymyo about the second week in May. The dates by which the further materials, if any, should be furnished and the days on which representatives of the oil companies will be examined, will be notified later.

(7) Parties other than the oil companies should send in their written representations so as to reach the Board not later than the 24th of April. The Board does not propose to examine them orally. But if intimation of their desire

to be so examined is given to the Board in their written representation, the Board will endeavour to give them an opportunity to appear at Maymyo for that purpose.

(8) No oral evidence will be taken after the 19th of May, but the Board hopes that the oil companies will arrange to supply without delay any information the Board may require between the termination of the public sittings and the submission of the report.

R. L. WALKER,
Secretary, Tariff Board.

The Burma Oil Company, Limited, the Assam Oil Company, Limited, the British Burma Petroleum Company, Limited, the Rangoon Oil Company Limited, the Indo-Burma Petroleum Company, Limited, the Attock Oil Company, Limited and the Hessford Development Syndicate, Limited.

Joint representation to the Government of India, dated London, the 15th December 1927.

The Government of India together with the Provincial Governments concerned with the indigenous Petroleum Industry, and the Secretary of State for India himself have already been informed either in conversation with, or by letters from, some or all of us—who, together, may be said to comprise that industry—of the menace to its existence created by the rate war at present being waged in the Indian Kerosene market, primarily in consequence of the not unnatural resentment by the Royal Dutch-Shell Group at the action of the Standard Oil Company of New York in placing its extensive marketing organisation at the disposal of the Government of the U. S. S. R. of Russia for the sale in India of oil secured from properties in that country seized without compensation from their pre-Revolution foreign owners, conspicuously and preponderatingly the Royal Dutch-Shell Group.

In response to these representations and to our insistence, in the circumstances, on the necessity for the conservation of all our resources for and on the production of Petroleum from existing proved areas, the Provincial Governments concerned have readily agreed to a Moratorium with regard to our obligations to areas conceded to us under lease or License which are merely potentially petroliferous and not definitely proved areas. But beyond this, although their interest in the matter is different, if at all, from our own only in degree, they have been unable to assist or to protect the indigenous industry against the direct menace of the present situation.

To our suggestions alternatively to prohibit Russian oil imports or to increase the import duties on foreign Kerosene as a whole *pari passu* with reductions on Indian market selling prices brought about by this dispute—in the direction not of putting more money into our pockets but merely thus of enforcing on foreign Kerosene the continuance of " pre war " prices—the Government of India, and necessarily therefore the Secretary of State have replied that neither is within the executive power of Government and that the Legislature itself would refuse to act unless and until (if then) public official investigation showed that the indigenous industry was " in extremis " and that some such action was necessary if it had to be saved.

It must be clear to Government that a condition of " in extremis " could not develop for all of us at one and the same time. We are all operating under very dissimilar conditions and the Petroleum Industry of India is no different from that industry elsewhere or other industries in India as well as elsewhere in the fact that uneconomic conditions must affect component units in varying degrees all down the scale from merely loss, serious or otherwise, to actual and mortal distress. If, therefore, a general condition of " in extremis " is to be a *sine qua non* to State action, it is necessary that there should be clear recognition of the fact that in the meantime the destruction of a not immaterial portion of the industry may quite well have occurred. This would have consequences to India's revenues, direct and indirect, and to the employment and economic welfare of her people which could not be indicated more clearly than in the communications on another issue some of us addressed direct or through Provincial Governments recently in reply to the circular letter to Local Governments, of the 15th December 1926, from the Department of Industries and Labour of the Government of India.

Already, although Crude Oil production is not meantime involved, the Moratorium above referred to is withdrawing considerable employment and putting a period to expenditure beneficial in various other directions to the people of India and at least potential of additions to the indigenous resources of a mineral of immense importance to the economic and military security of the State. And, besides this, the undistributed profits of the industry which have in the past provided for these testing operations provided also, in the case of the Burma Oil Company, Limited, for such enterprises as the Electrification of the Oil Fields of Burma, the facility and economy of long Pipe Line transport, the foundation of an indigenous Tinplate Industry, and the substantial endowment of a College of Mining and Engineering at Rangoon University and, in the case of all of us who refine as well as produce, for the regular "scrapping" of obsolete plant and for its replacement by the most up-to-date processes of refining—all calculated to improve, and actually or potentially improving the position of the local industry and strengthening it *vis-à-vis* foreign competition. But all these sorts of works, directly and indirectly so valuable to India, must stop while the oil—irreplaceable—which alone made them possible is being sacrificed as now at prices dictated by a dispute between two foreign interests over an issue with which we have no concern. For we cannot avoid its consequences since, in the face of the excess of India's Kerosene requirements over her indigenous Kerosene resources, we have had to confine our marketing organisation for that product to India itself and, unlike the present disputants, cannot, therefore, either withhold our supplies or escape the present Indian conditions by selling them elsewhere.

For the reasons already referred to some of us at any rate are not, and hope never—merely because of this dispute—to be in the situation of the suggested condition precedent to interference and it is, therefore, impossible to support such a common representation of the situation as this by a similarly common presentation of the changed relation between costs and values created by this cutting of Kerosene prices which, commencing on 23rd September 1927, in Bombay, has since spread and is being continued throughout the whole of the Peninsula. Those of us who may be affected already to a degree threatening, or appearing to threaten disaster may separately supplement this and earlier representations to Government by relative evidence and those others of us who expect—at whatever cost—to weather the storm and cannot therefore stultify ourselves by any suggestion of conditions which investigation is unlikely to confirm nevertheless place ourselves freely at the disposal of Government to supply, confidentially and not for publication, such evidence from our own knowledge and experience as may assist Government to a decision.

All then that we can do here is to explain what the situation actually is and what it has already meant, and may increasingly mean to the indigenous industry. According to the information at our disposal, the substantive contract for Russian Kerosene for India is for a period of three years for an annual quantity of 150,000 tons, or for some three-fifths of the Indian Kerosene trade hitherto done by the Standard Oil Company of New York with American Kerosene—mainly from U. S. A. Gulf sources. Our information further is that the price being paid for this oil is 5 cents per U. S. A. gallon F. O. B. Batoum as against the current Gulf price of 6½ to 7 cents so that the Standard secure not only cheaper freight—because of Batoum loading in place of U. S. A. Gulf loading—but also Kerosene cheaper itself by 30/40 per cent. than the price ruling at their normal source of supply. But, of course, the F. O. B. price of such oil as this might have been, and—in pursuance of the underlying Soviet policy—may yet be *anything* less than 5 cents inasmuch as the seller, the U. S. S. R. of Russia, secures its supplies in the circumstances we have described without the costs of labour and capital which producers elsewhere, like ourselves, have to and, of course, do pay.

We have called this the substantive contract because, since it was made, there has been public, uncontradicted announcement that a further contract

for 60,000 tons annually for six years has been completed between the same parties for Eastern markets, reputed to be India. Whether or not this is actually for India and whether it is also for Kerosene and not for other products we cannot say, but we have confidential advice from a reliable source in India that the Standard Oil Company of New York are proceeding with plans for the receipt, at least into the Calcutta market, of *Petrol* in bulk.

Under normal conditions, as Government is well aware, the maximum Kerosene price policy of the Burmah Oil Company, Limited, in which the British Burmah Petroleum Company, Limited, and the Assam Oil Company, Limited, actually and the Attock Oil Company, Limited, contingently participate, secures for the Indian Kerosene consumer a considerable volume of low priced Kerosene which, average with World parity prices for the remainder of the Kerosene necessary to meet the combined Burmah-Royal Dutch-Shell trade in India, results in their product being sold at, and in compelling others to sell at prices below World parity to the enormous advantage of the Indian consumer. That advantage is of course, not so great in such conditions as now govern the Indian market, but, even so, the price at which the volume of this *low priced* Kerosene is supplied was, for the week ended 26th ultimo, 14 annas 2 pies per unit of 8 bulk gallons below the average price realised by the Burmah and the Royal Dutch-Shell Group, operating as the Kerosene Pool, on the Pool's sales in India (excluding Burma and Chittagong) of the quality of Kerosene used by the Standard Oil Company of New York for their Indian trade—and, therefore, presumably about that figure *less* than the Standard secured on their sales in the period.

This maximum price Kerosene policy, initiated by the Burmah Oil Company, Limited, in 1905 and continued without interruption ever since, has been possible, and is possible only so long as the balance of the indigenous production of the product and all other indigenous products secure prices based on World market conditions. Petrol, *inter alia*, has been sold in India by indigenous producers on this basis. Even thus, it is a market which foreign Petrol importers have so far ignored—itself ample confirmation that its values there offered no attraction compared with prices for the product obtainable elsewhere. Since the indigenous production of Petrol is still sufficient to meet the full demands of India, the invasion of this market by the Standard Oil Company of New York as thus indicated can be construed in all these circumstances only as a direct attack on the local Industry. If it materialises, and particularly if it materialises in the form of supplies from these Russian sources—unencumbered as they are by normal economic obligations and notoriously employed for ends subversive of the existing order of Society and forms of Government—the resulting break in prices for that product also in India must gravely aggravate a situation causing even the best circumstanced among us the most serious concern. And the attack with Petrol will be easier for the Standard than with Kerosene for, although in the difference between Kerosene Excise and Import Duties of 0-1-6 per gallon in favour of the local industry there is apparent protection of Kerosene—normally inoperative because the Kerosene maximum price policy gives away more than its value—there is no difference at all between Excise and Import Duties on Petrol.

And on top of all this it has just been reported from India that Kerosene Sub-Agents of the Standard in the mofussil are freely telling their dealers that they will have inferior Kerosene to dispose of in the beginning of next year. If this also materialises—and it may be the explanation of the above referred to 60,000 ton contract—it would, under to-day's conditions, be a further grave blow to the indigenous producer.

It was to keep the price of the Kerosene requirements of the poorer Indian consumer reasonably within his limited resources that the Burmah Oil Company, Limited, decided on its maximum price policy in 1905 and neither before then nor during the uninterrupted operation of that policy

over the past 22 years have the Standard contributed either a gallon in Kerosene or an anna in price to the object which the Burmah thus so successfully secured. For never before in the whole history of the Standard's connection with the Indian market have they catered otherwise than for the higher priced quality for the wealthier Indian consumer. On the contrary, they have scrupulously (sic) left that obligation to the indigenous industry and to the Royal Dutch-Shell Group until now when it would appear that they intend taking advantage either of stolen oil under these Russian contracts or of "distress" oil under to-day's generally depressed conditions to strike this further blow at the local industry—for so it must be even though the blow be aimed not at it but directly at the Royal Dutch-Shell Group.

We should all naturally have preferred to avoid the consequences of this war of rates in India between these two groups but with no alternative market that was impossible. On moral grounds our sympathies are, and must be with the Royal Dutch-Shell Group in its resistance to the injury and insult offered it by the Standard Oil Company in marketing this Russian oil, cheaper because stolen by the U. S. S. R. of Russia from that Group itself. Moreover, through its arrangements with the Burmah, the Royal Dutch-Shell Group with superior geographical claims have, contrary to the policy and practice of the Standard Oil Company of New York, recognised the right of indigenous production to the first call on the Indian market even when to do so has been at the cost of disturbingly increasing the Standard's disproportionate share of the Indian trade.

At the opening of this dispute Kerosene prices in India were Rs. 5-12-0 for superior and Rs. 4-6-0 for inferior qualities per 8 gallons in bulk *ex* the Main Ocean Installations there. These prices were fixed for the July-December period of this year by the Kerosene Pool of the Burmah and Royal Dutch-Shell, the principles of which Government is fully cognisant of and which briefly are that the combined trade of these parties is met by supplies charged to the market at prices representing the averaged cost of (*a*) the indigenous low priced volume oil, (*b*) the balance of indigenous oil not above (and generally below) World market values at the time and (*c*) World market values for the foreign oil imports (if any) by the Royal Dutch-Shell Group necessary to make up the total requirements. Realisations in any one period from the market in excess or short of selling prices on the basis of this average cost are under the operation of the Pool, swept into the credit or debit of the next period when fixing the selling prices for that period. In this way prices, at least of the Superior quality—for, in conformity with the Burmah's policy, the aim of the Pool is to keep Inferior quality prices down for the benefit of the poorer consumer—may fluctuate, from one period to another, above or below World parity: on average the consumer still nevertheless gets his Kerosene normally below, and well below the World market. Thus fortuitously when the present dispute broke out, while the Pool's price of Rs. 4-6-0 for Inferior Kerosene was as usual well below the market, its price of Rs. 5-12-0 for Superior per 8 gallons bulk *ex* Main Indian Ocean Installation was possibly above the market in the process of recovering from it as above losses incurred in the preceding period when it was below the market. For the reasons already explained these in any case were not the values being realised by the indigenous members of the Pool. Their contributions of Kerosene for the period were at an average *ex* Installation price of Rs. 4-11-4 per unit, or considerably below the World market.

Now as to the consequences of the "War" to date: The following figures give the Pool's average realisations per unit of eight gallons Kerosene in bulk *ex* Main Ocean Installations in India proper—as approximately determined by applying its average realisations from its sales of Superior and Inferior respectively to the volume of its sales of each of these qualities and dividing the aggregate realisations by the aggregate volume—during each of the nine weeks of the dispute ended 26th November 1927 as compared with what they would have averaged had the volume of sales of each quality been

made at the "pre war" ex-Installation bulk rates ruling respectively for them :—

Week ended	Average Rate Realised.	Average Rate at Realisable at prewar prices.
	Rs. A. P.	Rs. A. P.
1st October 1927	4 7 2	4 14 2
8th October 1927	4 7 0	4 13 10
15th October 1927	3 12 0	4 12 7
22nd October 1927	3 10 2	4 13 4
29th October 1927	3 9 0	4 13 9
5th November 1927	3 9 4	4 14 0
12th November 1927	3 8 4	4 13 10
19th November 1927	3 7 6	4 14 3
26th November 1927	3 7 10	4 14 2
Average	3 11 10	4 13 9

It will be seen that the average fall over the nine weeks has been Rs. 1-1-11 per unit and the heaviest week's fall in the period Rs. 1-6-9 per unit. But it must be explained that the volumes of the two qualities sold vary not only from week to week but also for the various indigenous producers concerned. As already pointed out, the average *ex* Installation return to the Pool for Superior for the week ended 26th ultimo in the area under discussion (Chittagong prices are similarly affected; but not so those in the Burma market) was Rs. 4-4-2 per bulk unit as against the "ante war" price of Rs. 5-12-0 or a drop of Rs. 1-7-10 and for Inferior Rs. 3-0-6 as against Rs. 4-6-0 or a drop of Rs. 1-5-6 per unit from "ante war" values.

To get at an idea of the effect of these reductions on the *indigenous* producers, both those who are members of the Kerosene Pool and those who are not, the price of the contributions of both to the requirements of the trade for the current period (for other than the low priced volume) may be taken as having been that at which those of the former were made, *viz.:* an average *ex* Main Indian Ocean Installation price of Rs. 5-7-1 per unit of 8 bulk gallons whereas this dispute had already so reduced values by the week ended 26th November 1927 that this oil was worth on the market no more than Rs. 3-8-5 *ex* Main Indian Ocean Installation or a drop of Rs. 1-14-8 per unit. By applying this figure of Rs. 1-14-8 to the volume of indigenous Kerosene sold in 1926 excluding (1) the volume sold in the Burma market (where prices have not so far been affected) and (2) the 195,000 tons per annum (the low priced oil volume) some measure is obtained of what this dispute is costing the indigenous industry—and the position for the week quoted (merely because later data are not yet available) does not reflect reductions to the full. *Such application shows a reduction of the revenues from indigenous Kerosene at the rate of certainly not less than £1,800,000 annually.* That Petrol should be swept into these sorts of conditions—and possibly low priced Kerosene also may well, we repeat, create a situation—if it does not already exist—which must *inevitably* cause a serious curtailment in the production of indigenous Crude Oil and all the consequences that this would involve.

The industry may not be entitled to protection against normal World market conditions rendering it unprofitable. That is not the immediate issue however, and we do not propose entering into such an issue further than to point out that in the very nature of the industry as a whole—susceptible as it is to sudden changes from over to under production as compared with World demands—it would be dangerous to take short views. The relatively or definitely unprofitable conditions of the World's Petroleum Industry to-day may, as frequently in the past, be kaleidoscopically re-converted into the profitable conditions of to-morrow and irreparable and unnecessary damage might well be done to an asset of peculiar economic and strategic value to a State by taking too short views of what might or might not be justified to maintain and secure it. Under normal conditions, age for age of Fields, and calibre and depths of their wells, the indigenous Petroleum Industry of India would not have a great deal, if anything, to fear from fair and economic competition from the production of other Countries. A good deal of the Petroleum vitally essential to the World's demands can normally be rendered available to meet them only because its cost is averaged with that of flush and cheap production, coming to-day and ceasing to-morrow, from new and younger Fields. The ability to secure this means of lowering the average cost of production is neither indefinite nor is it universal. It may be one Country's good fortune to have it to-day and another Country's to have it to-morrow but a period must come to it sooner or later and when it does come such production (if any) as that of India should under fair economic competition be as able to live—if not as profitably as in the past—as profitably as most.

To-day the industry is passing through one of these cycles of over production—mainly from the Fields of the U. S. A., which still supply some 80 per cent. of the World's total requirements, but also, if under better control, from the fields of Venezuela, Roumania, and Persia. It will pass but, aggravating these conditions, we have this Russian production being dumped unnecessarily and at the expense of the comfort and economic welfare of its own Nationals on to the markets of Europe and the East, directly for political or for financial reasons with political objects, at prices, because stolen, lower than U. S. A. production itself can afford to accept even in the conditions of its own over production to which we have referred. And, opposed in these circumstances to its own Country's interests and publicly condemned in the act even by its associated Company—the Standard Oil Company of New Jersey, we have the Standard Oil Company of New York going out of its way not only to place its valuable marketing organisation at the disposal of the Soviet but this in a Country which is the largest producer of Petroleum of that Empire against the best interests of which, both in and out of it, the Soviet Government of Russia is, or has been notoriously doing everything subversive within its power mainly by means of resources secured from the sale of such stolen oil.

As we write we have before us an uninvited cable from Tulsa, Oklahoma offering us 5,000,000 Barrels—nearly a million tons—of Winkler County Texes Crude at \$ 1·28 per U. S. A. Barrel, with fall and rise clause subject to a minimum price of \$ 1·15 and to a maximum of \$ 1·45, for equal shipment over 12 months and it is in these distress conditions—as thus, in our experience, unusually reflected—that the Standard Oil Company of New York place themselves at the disposal of the Soviet's unnecessarily exported oil which carries none of the normal obligations to capital and labour.

These then are the facts respectively as we have experienced them and as they are alleged. Already 48,850 tons of this Russian Kerosene have arrived at, or been cleared for India. We have shown what and why the attitude, at least of some of us, must be to any public inquiry *vis-à-vis* the suggested condition precedent to intervention and what insistence on that condition may mean to the indigenous Petroleum industry. We have suggested what seem to us to be the only effective remedies although there may be palliatives of the nature which some of us have separately proposed.

Indo-Burma Petroleum Company, Limited, London.

Letter dated the 15th December 1927.

A joint memorial from the indigenous oil producing companies of Burma and India in regard to the Kerosene oil rate war now so seriously threatening the indigenous industry goes forward to the Government of India (Department of Commerce) by this mail and it has been suggested that, as the memorial is couched in general terms and as the signatories are not equally affected, each signatory should take the opportunity of putting forward his own individual case.

While taking this opportunity we do not wish to weary you with a long recital of the position and history of the Company, which has been so recently stated in our letter of 30th April 1927, addressed to the Secretary, Finance and Revenue (Development Department), Government of Burma, in reply to the Government of India's letter asking for an expression of opinion on certain tentative proposals directed towards modification of the Mining Rules.

For your ready reference we enclose a copy of the above-mentioned letter, dated 30th April 1927.

The salient facts in that letter are:—

Firstly, that the production from the Reserves at the Yenangyaung Oilfield, from which the whole of this Company's revenue in the past has been derived, is now definitely declining and we have no hopes of increasing it from that source.

Secondly, the imperative necessity of proving and developing new sources of supply. Out of all the various areas we have tested at a cost of over 70 lakhs of rupees, we are left with two possible fields—Indaw and Lanywa.

The development of Indaw, situated as it is 30 miles from the nearest accessible point on the Upper Chindwin river—500 miles from Rangoon—and in the heart of a roadless jungle, is fraught with the greatest difficulty and expense.

Up to date 25½ lakhs of rupees have been spent on this area in excess of the revenue produced, but, in spite of this, we had hopes of making this into a considerable oilfield and a successful commercial venture giving a reasonable return on past and future capital expenditure.

At Lanywa, opposite the Singu field, after several years of drilling and the expenditure of some 12½ lakhs of rupees and after very careful geological examination, it was decided that there was an extension of the Singu oil pool underneath the bed of the Irrawaddy river towards Lanywa.

In order to permit of drilling on this area it was necessary to undertake a scheme of river training by means of a training wall—the cost of which we estimate, on completion next year, will be between 15/16 lakhs of rupees.

Even after completion of the wall we are still faced with heavy expenditure on the development of this area on account of the fact that it will be under 20 feet of water—still water of course—during the Irrawaddy high water season.

Here also, notwithstanding the heavy capital outlay involved, it was confidently hoped that production would be found in sufficient quantity to give an adequate return on the outlay.

Since our letter of 30th April 1927 was written it was decided to increase the capital of the Company and on the 1st September an issue of 30,000 7 per cent. Preference Shares of Rs. 100 each was made, the chief purpose of which was to finance the development of Indaw and Lanywa and the acquisition of an interest in a new oil producing company at Singu—the Hessford Development Syndicate—which is also very seriously affected by this war of rates.

It may be here stated that we had no indication of a war in Kerosene oil rates when the issue was made.

This then was the position when the two biggest oil interests in the world—Royal Dutch-Shell Group and The Standard Oil Company of New York—decided to conduct a rate war in India, the bone of contention being the purchase of Soviet Oil by the Standard Oil Company as cited in the joint memorial.

This Company is not a member of the Pool referred to in the joint memorial and it has always recognised that its existence depended on its being able to compete with indigenous and foreign competitors at world's prices, and it must ask Government's assistance, when the only markets available to it are being flooded with supplies of Russian Oil, sold to a foreign competitor at prices a long way below World's prices at present abnormally depressed due to over-production in America.

All this Company has asked for to date has been a moratorium of its obligations under its prospecting licenses, some of which hold good promise, and though this was promptly granted by the Local Governments concerned, it will be apparent to the Government of India that, if development of our Indaw and Lanywa fields is to proceed, to put this Company in this position to compete at World's prices in the future, it must be protected against the dumping of supplies of this Foreign oil.

Our information, which we believe to be correct, goes to show that, in spite of the low rates now ruling in India, the Standard Oil Company, without loss to themselves, can still further reduce the prices at which this Russian Oil is being sold and that they intend to compete by means of further purchases in the inferior oil markets and further reduce the price of No. 2 oil.

We also fear that the Standard Oil Company, chiefly for the purpose of intensifying the rate war, intend to invade India with cheap petrol supplies, although there is no precise information at the moment as to the source from which this Petrol is to be obtained. If this takes place we can see no hope for the smaller indigenous producers like ourselves who had hoped to become by virtue of our labours potential factors in the supply of petroleum to India.

We appreciate, in common with the other indigenous companies, the great difficulty in which the Government of India is placed, but we feel that Government has, through its Mining Rules, already shown its determination to protect the indigenous industry and it is with the greatest confidence that we ask for protection by an increase of the Kerosene duty on the lines suggested in the joint memorial.

We would ask further that an immediate increase in the present customs duty on Petrol be made, not that we may profit by any increase in price made possible thereby, but to deter the Standard Oil Company, Limited, from their present plan of crippling indigenous producers further by the purchase and importation of supplies of Russian or other Petrol into India.

Enclosure.

Copy of a letter from the Indo-Burma Petroleum Company, Limited, Rangoon, to the Secretary, Finance and Revenue Department (Development), Government of Burma, dated the 30th April 1927.

We have the honour to acknowledge receipt of your letter, dated 24th January 1927, enclosing copy of letter from Government of India (Department of Industries and Labour), dated Delhi, 15th December 1926.

We are invited therein to give an expression of opinion on certain tentative proposals directed towards modification of the Mining Rules and on a proposed extension of Rule 56, the Rule itself having already been carried into effect with the approval of the Secretary of State for India.

We will, with your permission, confine our comments in reply to Oil Leases.

2. At the outset we take the liberty of directing your attention to the new Rule 56 which has imported a provision into the Mining Rules under which it would appear Government stand to be the financial gainers by the cancellation of a Lease but which leaves the lessee with no apparent safeguard of his own.

We do not contest the right of the State to cancel a lease where cancellation is the prescribed penalty; and in the case of a lease cancelled because it has been unworked, an auction by Government seems as unobjectionable a method of disposal in the circumstances as any that can be devised. But in the case of a worked area the breach in our opinion should be of a vital condition of the lease and not one of the many comparatively unimportant covenants with which the regulation Mining Lease now bristles.

Government have already taken full powers of cancellation in these leases but these conceivably might be legally operative for some inadvertent or minor technical breach of lease terms.

Onerous though these conditions may appear to be, we have not in our case hesitated to accept them. It is our belief that the good faith and judicial impartiality of Government is in reality the foundation of the Lessee's tenure and although the covenants are strict in their implication it is felt they would at all events never be operated for any motive of gain to Government.

The factor of financial gain to Government on the cancellation of a lease is now however apparently introduced under Rule 56 for the first time. The possibility of it affecting a decision by Government is remote, but the factor is there and must be taken into account by those responsible for raising and expending Capital on these Leases. At all events, so far as this Rule affects the auctioning of a cancelled Mineral Lease that has actually been worked and developed, we are very emphatically of opinion that it should be amended, so that Rule 56 will apply only to leases that have been cancelled because they have not been operated.

Failing this, we consider that a complementary provision to Rule 56 should be made in order to ensure reference to some judicial tribunal which will provide protection to the Lessee against the unlikely but possible hasty action of a Local Government if the circumstances are such that the Lessee has an equitable claim to consideration.

We have stated our views frankly as we feel sure that Government will appreciate that, however much we rely on the good faith of Governments ourselves, when it comes to a question of interesting outside Capital in the development of a Lease all unfavourable terms in the Lease will be closely scrutinized.

3. *The Disposal of Time-expired Leases.*—Before replying to the specific points on which our opinion is invited, we will with your permission attempt a brief survey of the general principles at stake in a question of this nature, and the considerations which we suggest should govern any action it may appear desirable to take.

We will premise with a short résumé of the history of the Indo-Burma Petroleum Co., Ltd., a company which is in the unique position of having derived any measure of success it has enjoyed solely from the Twinza Reserves of Twingon and Beme.

The Company was founded jointly by the late Sir Abdul Jamal and Steel Brothers & Co., Ltd., in 1909 as a private limited company to work certain purchased and leased well sites in the Twinza Reserves and if we exclude for the moment the small amount of Oil won as the result of drilling operations at Indaw and Lanywa, its entire organisation and operations have been built up on and financed from an area outside the scope of this enquiry so far as it is concerned with the disposal of time-expired leases.

In other words, the Indo-Burma Petroleum Company's position is due to the business acumen of its founders in the initial purchase of well sites on the Reserves in the early days of Oil in Burma and who built up the present organisation purely on the results of this far-sighted transaction.

None the less the Company is vitally concerned with the proposals now put forward in respect to every branch of its operations, for the reason that the main source of supply, the Twinza Reserves, is now long past its zenith and the very existence of the Company within a measurably short space of time will be dependent on its ability to prove and develop new supplies elsewhere.

We have always recognised the precarious future for this Company were it dependent always on the Twinza Reserves for its crude and almost from the inception of the Company unremitting and costly efforts have been made to develop new Fields.

In 1910-11 Indaw in the Chindwin was located as a possible source of supply and between that date and the present Rs. 25,48,800 have been spent in drilling and development. This figure represents the *net* loss on the venture to date after crediting value of products sold.

So far nothing of real importance has materialized but we do not give up hope that the comparatively trifling Crude Oil production which has been developed may ultimately be built up to something substantially larger.

In 1913-14 prospecting work at Khaur in the Punjab was started under the auspices of this Company and as the result of prolonged examination of the Punjab by this Company's own staff of Geologists. In the outcome the Attock Oil Company was founded with a Capital of £1,500,000, of which this Company for many years held a 42 per cent. share. These shares were subsequently distributed to the individual shareholders of the Indo-Burma Petroleum Co., and although the Attock Oil Co. has been in existence for 14 years it can still, we regret, be regarded only as a highly speculative investment. It has distributed small dividends to its shareholders for two years only but Government on the other hand have received and continue to receive by way of royalty, Excise Duty, and Income-Tax revenues which in the aggregate have amounted to more than the total dividends distributed to Shareholders.

From 1919 onwards a further expenditure of Rs. 12,13,000 has been incurred in the endeavour to prove the extension of the Singu Field to the opposite bank of the Irrawaddy. The measure of success met with emboldened us to undertake a scheme of river training in order to reclaim a drillable area along the foreshore. Government are themselves well aware of the facts and the operations in progress: we need not therefore enlarge further on them except to say that the reclaiming wall is estimated to cost in itself Rs. 12,50,000 before completion.

In addition to the above the short history of this Company is full of unsuccessful attempts to prove new fields at Singu, Kyaukwet, Minbu, Ondwe, Pyaye, Ngahlaingdwin, Yagyi, Uga, Sukkur, Bannu and Assam, and in the aggregate in all these various directions a total sum of Rs. 70,16,400 has actually been spent by this Company during the 18 years of its existence. This includes Rs. 6,64,300 expended on the wall mentioned above and the balance, say Rs. 5,85,700, will be expended within the next year.

4. It is apparent from the foregoing and from the fact that our production from our only effective source of supply, *viz.*, the Twinza Reserves, has declined 35 per cent. over the past two years, that we are in the greatest need of new supplies of crude if our business is to go on, but we submit it is even more apparent that expenditure of the magnitude mentioned in order to discover new sources of supply would never have been incurred had there been any reason to doubt the stability of the Rules now current.

The pledge is there, *viz.*, that the successful prospector has the right to convert the license into a lease. The initial term permissible is 30 years with the right to renew for a further period of 30 years, which terms we believe are customarily granted and were granted in the case of The Attock Oil Company, Limited, and it seems to us to be beyond question that if this settled basis for Leases is disturbed the last incentive to the public to adventure capital in the development of new Oil areas will be removed.

We desire to emphasize the gravity of such an outlook with all the force at our command.

The Indo-Burma Petroleum Company, Limited, in particular, as will be appreciated from the recital of its many adventurous excursions into the field of exploration, is vitally concerned with the question of secure and prolonged tenure. Without this the projects we have in view at Indaw and Lanywa, which have been entered into on the good faith of existing Rules, and in confident reliance on the prospective mining lease being granted on the most favourable terms permissible, will almost certainly fail to attract the Capital necessary to bring them to full fruition.

Moreover, we submit that to attempt to enforce the strict rule for the resumption of a Lease without full compensation to the holder for the value of the concession he has himself proved or for his Plant and Machinery (*vide* Clause 17 of the standard form of Mining Lease) which are of comparatively small value apart from the concession itself, would be in the last degree inequitable.

5. But there is we consider an even greater objection, even if the holder is given a preferential claim to a new lease at some figure not "falling short of the highest satisfactory tender by a reasonable amount."

It has not been appreciated perhaps that the Oil Industry in particular consists of three separate businesses, which may be and are in certain cases in India undertaken by different Companies or concerns, and although they are combined in the case of The Indo-Burma Petroleum Company, Limited, they are none the less distinct organisations—each calling for different methods and different branches of technical knowledge. We refer to the business of oil winning, oil refining and marketing. Each involves a separate hazard and the expenditure of Capital, and each claims and is due a reward as the result of its operations.

Viewed in that light, we think it will be at once realised that to put an expiring Oil concession up to tender may mean putting the whole business of the concern to ransom where the three operations are undertaken by the Lessee—and this not on any calculable basis but on a possibly uninformed valuation of a competitive and perhaps speculative bidder at auction. It is patent that one effect of such a system is to place all other branches of the original Lessee's business—plant, refineries and installations and sales organisation—under duress to the new comer and if the Lease happens to be the Lessee's sole or main source of crude supply his subsidiary organisations would have no more than break-up value if the source of their employment—the concession—were to pass into other hands.

Original holders might thus in effect be robbed of the reward of their enterprise and work, not only on oil winning but on oil refining and selling.

We submit that the success or otherwise of the past operations of such Lessees should have no bearing whatsoever on the matter as it is the chance of success that alone renders mineral workings attractive and possible; and discriminatory action against successful enterprises of any kind will prejudice the whole basis on which Capital can be attracted to the industry. That in effect is the crux of the position and we submit it would be suicidal to adopt any policy which would frighten Capital from the development of the oil industry. We are gravely concerned with the results of such a policy. We must therefore emphatically oppose any proposals which could tend to deprive ourselves equally with other Oil operators of the reward that may eventually accrue as the result of risks taken in the earlier years of the workings of a Lease.

The grave market disturbance that must occur if such proposals become known to the public—as will probably be the case if discussion is prolonged—is not unlikely to have financial consequences amounting almost to a panic in mining markets.

6. It is, however, we feel assured, most certainly not the intention of the Government of India in these enquiries to bring about any general disruption or discouragement of enterprise in the Oil industry such as we have ventured

to warn you of, if the principle of auctioning expired leases is pursued further. The main enquiry no doubt is in reality directed to ascetain what increased return, if any, the various classes of mining enterprises in India are capable of yielding to Government without discouraging development.

It is therefore pertinent to this assumption to say that Government have been and always are in the happy position of incurring no financial risk or loss in the endeavours of the public to prove the value of the State's mineral resources. Here, again, we submit it is in the highest degree impolitic in the State's own interest to check the flow of Capital in the direction of exploration (for the most part unremunerative) by any suggestion of increased taxation on the venture.

But the test which the Government of India proposes to apply in this connection, *viz.*, the average level of profits on all enterprises of the same class, successful or otherwise, is difficult, if not impossible, of ascertainment in the case of Oil.

We have no means of arriving at anything like a true figure of the vast Capital sunk in prospecting for Oil in India going back, we believe, as far as 1875. The position to-day can only be judged on its merits, and though the rewards in one or two cases of the few operative Oil Companies that have emerged from the welter of failures in the Indian Oil industry may appear large, they cannot on the average be considered excessive in view of the Capital hazarded as a whole.

Government have not apparently realised the straits in which a small indigenous producer is placed to-day even under the present scale of royalties and we respectfully submit that it is in the last degree unsound to harass the industry further with suggestions for increased taxation such as we have had to combat in this letter. We cannot see that any special circumstances are shown to exist warranting an alteration in the well-known and simple system of royalties unless it be *downwards* to meet the conditions of declining and therefore more costly production or the conditions on a field which is worked at a loss, such as Indaw.

The small indigenous producer such as ourselves is in a peculiarly vulnerable position and since the price of our commodities is inexorably governed by the world's price for similar commodities delivered at the seaboard of India there is no means open to us of passing on to the consumer any additional taxation levied on the industry as a whole whatever form it may take. This is brought sharply into its perspective by the recent reduction in the price of Petrol in India (due to world price conditions) amounting in all to 5 annas per gallon since November last. To this Company alone these reductions represent an alarming loss of revenue which in the present circumstances it can ill afford to bear.

The present regulations in our considered opinion more than adequately provide for a due share to Government of the gross earnings of any oil venture, and in any particularly successful Oil concern, the Government receives an additional share of the profits through Income-Tax.

The Government of India very fairly suggest that the conditions under which the Oil Industry operate shall not be judged on the success of one particular individual or undertaking. We believe therefore a decision in this matter on the facts can be safely left to Government in sure reliance that no experiments in the taxation of the Oil Industry will be attempted that will in any way discourage the spirit and enterprise of anyone seeking to develop the State's mineral resources.

7. *Differential Royalties.*—As royalty is not payable before Oil is produced the idea of fixing a differential royalty rate on the grant of a Prospecting License presents so many obvious practical difficulties as to put it, in our opinion, out of serious consideration.

It would not merely be a case of basing such on contiguity of markets. There is the quality of the Crude itself. It may be poor oil or it may be rich in natural products. It may be costly to produce or it may be relatively cheap to produce from deep or shallow borings as the case may be, and there would

appear to be no justification for fixing a differential rate of royalty merely on the grounds that one area was more accessible to a market than another.

A much sounder method of such differentiation is already in existence—namely Income-Tax. The larger the profits obtained from the crude the larger is the Government of India's share thereof.

Government admittedly take no share whatsoever in the risks of production and we submit it is therefore inequitable to penalise an undertaking with differential royalties.

In this connection it will not be inappropriate to point out that royalty is part of the cost of production of a barrel of oil and the higher this cost is the sooner will a small producing well cease to pay. The same principle applies to a Field.

8. Finally, our opinion is invited on a proposal that some form of tender should be applied to new areas and areas reputed to contain minerals.

We would say at once, and we infer that the Government of India are inclined to the same opinion, that this is quite impracticable if there is any desire to encourage the prospector who is apparently appreciated as the "advance Agent" of the adventurous Capitalist in mining enterprises.

Sufficient has perhaps been said already in this letter in another connection to show how highly dangerous it may be to alarm Capital already invested in mining undertakings, but the suggestion to put a Prospecting License up to tender unquestionably strikes at the root of all enterprise and initiative.

Based on costly experience, our own opinion is that no oil area is proved until the drill has shown that Oil in commercial quantity is there. Our expenditure to date on unprofitable drilling and prospecting on areas held under Prospecting License has been shown to amount to Rs. 70,16,400 and the tale is not yet complete.

As we have said in other connections before, it seems to us inconceivable that experimental expenditure of this magnitude would have been incurred by our own or any other Company, if in the outcome, the proved area or areas were to be put up to tender. If the suggestion is to put up undrilled areas for auction then we should say that the Government will themselves require to discover and provide for the geological examination and proving of these areas in order to put the relevant facts before the prospective bidders.

Apart from this possibility, which we believe is not implied, if we may venture to say so, the suggestion to auction prospecting rights is fantastic. No one in any circumstances that we can imagine would spend money on prospecting or proving a mineral area or developing a patent (to take two analogous examples) if the fruits of his enterprise and/or genius were likely to be sold past him to the highest bidder brought in by Government on an implied guarantee that there was something of value for sale.

This appears to be the logical deduction from the suggestion that prospecting rights are capable of being bought and sold at auction. We submit with all respect that such proposals are entirely inimical both to the enterprise of the prospector and the interests of the State whose mineral resources he is voluntarily seeking to prove.

Having ventured to express our views at length on the general principles involved in the Government of India's proposals, we now submit replies to the list of points on which an opinion is specifically invited, *viz.*:—

Point 1 (a), (b) and (c).—It is our considered opinion that no system of tender is applicable generally to mining enterprises.

In regard to (*d*) the vicious principle of the leasehold system is being appreciated in the United Kingdom and a Bill is now before Parliament which appears to recognize the fact that it is contrary to public policy for a lessee to develop and improve a property and then be compelled to surrender the same to the ground landlord after a term of years without recompense for his outlay and indeed with the obligation to leave the lessee's own improvements in good condition.

Point 2 (a) and (b).—We see no means of securing additional revenue by way of rents and royalties which will not have the effect of checking the flow of Capital to development.

Point 3 (a) to (d).—Our answer to 3 (*a*) to (*d*) is therefore in the negative.

If we may say so with all respect, Government would appear to have fallen into a fundamental fallacy in the proposals advanced in this connection. Minerals, although a public asset, have no value " in situ ". The real asset is the speculative Capitalist who will risk money in creating a value for the minerals and we submit therefore that his enterprise should be encouraged by every means within the power of Government.

Point 4.—No figures appear to be available in regard to Oil which would give any true indication of the total Capital sunk and the return thereon to Government and the Capitalist, respectively.

We enclose a statement showing the apportionment of the earnings of this Company between (*a*) the shareholders, (*b*) the Government and (*c*) prospecting and drilling work other than drilling on the Twinza Reserves.

The figures cover the period 1922 to 1926, the former date being the first year in which Kerosene Excise Duty became effective.

It will be seen that of these earnings the Government have received in direct payments by way of Income-tax, Excise Duty, Royalty, etc., the extraordinary figure of from 37·9 per cent. to 44·4 per cent., and in certain years have actually received more than the Shareholders.

Point 5.—As a general statement this can be accepted as a criterion of the taxability of mining industries but the question appears to postulate uniform profitable workings whereas in the vast majority of mining undertakings the reverse has proved to be the case.

The Indo-Burma Petroleum Company, Limited.

—	1922.		1923.		1924.		1925.		1926.	
	Rs.		Rs.		Rs.		Rs.		Rs.	
PAYMENTS TO GOVERNMENT (excluding Customs Duty).										
Royalty	2,25,000 0 0		2,21,400 0 0		2 08,500 0 0		1,85,400 0 0		1,63,600 0 0	
Income-Tax	9,54,800 0 0		4,24,200 0 0		4,22,800 0 0		6,51,100 0 0		3,96,800 0 0	
Surface Fees on Areas being prospected	31,000 0 0		17,100 0 0		34,400 0 0		27,600 0 0		34,800 0 0	
Excise Duty on Kerosene and Petrol	12,79,900 0 0		15,10,300 0 0		17,82,300 0 0		12,83,000 0 0		12,22,400 0 0	
	24,90,700	44·4%	21,73,000	39·1%	24,48,000	37·9%	21,47,100	42·7%	18,17,600	38·4%
OILFIELDS.										
Net amount expended in drilling and prospecting Fields other than Yenangyaung and Indaw excluding Investment in the Attock Oil Company, Limited.	4,18,000 0 0		6,22,700 0 0		4,26,700 0 0		6,54,500 0 0		7,95,600 0 0	
Indaw Nett Expenditure	1,20,800 0 0		Cr. 20,800 0 0		95,900 0 0		2,13,100 0 0		1,76,200 0 0	
	5,38,800	9·6%	6,01,900	10·8%	5,22,600	8%	8,67,600	17·3%	9,71,800	20·5%
GEOLOGISTS' EXPENSES	83,000	1·5%	62,500	1·1%	29,700	0·4%	40,100	0·8%	51,900	1·1%
AMOUNT DISTRIBUTED TO SHAREHOLDERS	24,95,200	44·5%	27 29,100	49%	*34.79 500	53·7%	19,68,800	39·2%	18,86,800	40·0%
FUND available for Government Prospecting and for Shareholders.	56,07,700	100%	55,67,500	100%	64,79,800	100%	50,23,600	100%	47,28,100	100%

* A. O. C. Dividend excluded.

E. and O. E.

For the Indo-Burma Petroleum Company, Limited, Per Pro. Steel Brothers and Company, Limited.

Rangoon, the 30th April 1927.

(Sd.) A. P. BAXTER,
Managing Agents.

Attock Oil Company, Limited, London.

Letter, dated the 15th December 1927, to the Government of India.

As a signatory to the joint Memorial going forward to your address from the indigenous oil producing companies of India and Burma, in regard to the rate war now so seriously affecting the industry, we beg leave to submit certain aspects of our individual position which could not well be dealt with in the Memorial save in very general terms.

1. The Attock Oil Company was formed in 1913 to exploit a discovery of oil made at Khaur in the Punjab. It has an issued capital of £1,500,000 represented by cash put into the Company for the development of its undertakings in India. Our Refinery at Rawalpindi is capable of dealing with a throughput of some 1,600 barrels of Crude per day, and was built in the expectation that the Field at Khaur could reasonably support such an installation.

We need not here re-capitulate the vicissitudes the Company has met with, which are known both to Government and the public through its large body of European and Indian Shareholders. Out of the 14 years of the Company's existence only two have been productive of dividends to the Shareholders, namely, the years 1923 and 1924 with 6 per cent. and 10 per cent. respectively. But in spite of the many disappointments the Company has experienced over its crude production it had persevered in the exploitation of the Field, and for the first time in its history is reasonably confident in believing that deep sands have been proved, which will give the sustained yield of crude necessary for the continued existence of the business.

2. It is at this stage of the Company's development that an "oil war" has been declared in India consequent on the endeavour of the Standard Oil Company of New York to flood Indian markets with supplies of Russian Kerosene—supplies which are moreover sold below the value of the equivalent product based on world's prices—at present abnormally depressed owing to the over-production of Crude Oil in America.

We may say at once that, on the basis of average Crude production obtained by this Company during the year ending 31st December 1926, applied to the reduced prices now being obtained for refined products, this Company could not have continue to operate.

That situation has only been avoided by the increased crude supplies now being obtained from the deeper sands referred to above at practically the same outlay on drilling, and we are reasonably satisfied of our ability to hold our own with world competition if our present supplies of crude are maintained. But it may be far otherwise if Russian oil is dumped into India at increasingly lower prices, and the scope of these importations extended to include petrol and other products.

3. In such circumstances and possibly even at the present level of prices we cannot see that it would be at all possible for us to undertake the testing of reserve areas such as our area at Dhulian in the Punjab. Here it is considered there are good prospects of obtaining oil, and, prior to this oil war, we were considering recommencing drilling operations. We have, however, been constrained in common with other indigenous producers to apply for a moratorium of our obligations under the licenses held over such areas, and it will be thus seen that an immediate effect of present conditions is to put a stop to prospecing operations on new areas.

4. In the known circumstances of the production of this Oil in Russia there seems to be no assurance that the present low level of prices will not be reduced further so long as a powerful foreign corporation like the Standard Oil Company is prepared to place its resources at the disposal of the Russian Soviet for marketing purposes. An "Economic cost" in this case is not a consideration and as the supply available for export appears to be illimitable —as long as the Russian people can be deprived of the use of their own production of oil—there is little prospect of this price "war" terminating on

economic grounds. Moreover the proceeds of this oil, sold without apparent regard to true cost or world values, it is widely held will be used for subversive purposes within the British Empire.

Without the strong intervention of Government it would appear to us that this " war " between Foreign interests in India must inevitably extend, involving the smaller Companies still more deeply in a conflict which can only mean their gradual extinction as effective indigenous producers.

5. The Memorial has touched on the necessity for taking the " long view " of the situation now developing, in its effect on the future of the whole industry within the Indian Empire.

In the early years of the industry, Government, doubtless actuated by concern for the future, formulated certain Rules in their Mining Leases with the express intention of restricting the indigenous Petroleum industry to British ownership and control. Now that circumstances have arisen which were possibly foreseen when that policy was framed, it seems pertinent to enquire what application those rules have to the present situation.

Under those Rules " ownership " *per se* may remain, but it is obvious that " control " of supplies of Kerosene in India is passing or will pass to Foreign interests.

If the principle of the " open door " to all comers is conceded either by design or by default, we respectfully submit that Government have in one important respect tied the hands of their indigenous producers in seeking the only logical escape from the difficulties created by the Standard Oil Company, *i.e.*, to effect a compromise with foreign companies by allowing them to acquire interests of their own in indigenous production.

But, remembering the special steps taken by the Government of India in 1902-03 to exclude the Standard Oil Company from direct participation in the indigenous oil production of India we do not for a moment believe that Government have retreated from the Imperial policy then adopted.

We appreciate the very great difficulties the Government of India are placed in over this matter, and while we do not wish to add to them we desire to emphasize the grave consequences if the present position, with all its implications, is allowed to reach its logical conclusions, unchecked by any administrative action on the part of Government.

We have no " ad misericordian " plea to make at the moment but we would respectfully remind you that in our case there is at stake the existence of an indigenous oil producing Company in the heart of the strategic military position in India, and the holding up of the development of a company which we have now reasonable grounds for belief will be capable of rendering full support to the Army in any vital emergency on the North-West Frontier.

6. We would respectfully suggest that if a customs duty cannot be applied to Kerosene before next Budget, the Government of India might make a preliminary gesture of their intention to protect the indigenous producer by increasing the present customs duty on petrol to a figure which would discourage the Standard Oil Company in their ideas of extending the fight to a product the demands for which the indigenous producers can supply.

The Burma Oil Company, Limited, the Indo-Burma Petroleum Company, Limited, and the Hessford Development Syndicate, Limited.

Letter, dated the 18th January 1928, to C. R. P. Cooper, Esq., I.C.S., Secretary to the Government of Burma, Minerals Department, Rangoon.

KEROSENE RATE WAR.

We have the honour to acknowledge receipt of your letter No. 438-K.-27, dated the 11th January 1928.

In replying, we would first refer you to the joint representation of the indigenous petroleum Companies in their letter addressed to the Secretary,

the Department of Commerce, Government of India, Delhi, dated the 15th December 1927, a copy of which, we understand, is already in your possession.

In that letter the Companies have suggested, as the only permanently effective measures to ensure protection to the indigenous industry from the serious menace created by the Rate War and the importation of Soviet oil, either (*a*) the prohibition of Soviet oil imports into India or (*b*) an increase of import duties on foreign kerosene and petrol as a whole *pari passu* with reductions on Indian market selling prices brought about by the present dispute.

We cannot too strongly emphasize our view that any measure other than one or other of the foregoing can only have temporary and palliative effect on the damage being done to the oil industry of Burma.

We feel that the financial resources of the original disputants are so enormous, and the consequences of failure to either of them so important in view of the worldwide nature of their competitive operations, that no early termination to the feud can be looked for on the Indian battlefield.

The suggestion therefore put forward by Messrs. The British Burmah Petroleum Company, Limited, if agreed to by Government, will in our opinion do no more than sustain the indigenous industry for some period of time beyond what now seems possible without any form of assistance from Government.

On the principle, however, that even a modicum of assistance is better than none at all, we are pleased to support the suggestion of Messrs. The British Burmah Petroleum Company, Limited, but we would submit that to be of any material help to the local Companies, the maximum gallonage of petrol on which duty is to be remitted will require to be considerably increased.

As an alternative suggestion to that of Messrs. The British Burmah Petroleum Company, Limited, we propose for Government's consideration that excise duty be remitted on the kerosene and petrol production from a fixed maximum quantity of crude oil. The quantity of crude oil we have in mind is 1,500 barrels daily and Companies refining less than that average throughout would of course qualify for remission of duty on the kerosene and petrol production from their actual crude oil throughout. From 1,500 barrels daily throughout on present process methods the kerosene and petrol productions are approximately 1,000,000 gallons and 400,000 gallons respectively.

From C. R. P. Cooper, Esq., I.C.S., Secretary to the Government of Burma, Revenue Department, No. 438-K.-27, dated the 27th January 1928, to the Government of India.

I am directed to forward for the orders of the Government of India a letter dated the 15th December 1927, from Messrs. John Taylor & Sons, London, Managers of the British Burma Petroleum Company, Limited, to your address. This letter describes the effect on that Company of the drop in the price of kerosene oil following the recent importation of Russian oil into India by the Standard Oil Company of New York and suggests that with a view to give a modified degree of support to the smaller producers, the Excise Duty on kerosene and petrol should be remitted to the extent of a production of one million gallons per month of korsene and 100,000 gallons per month of petrol for each producer. This proposal is made without prejudice to the remedies advocated in another letter, dated the 15th December 1927, which the British Burma Petroleum Company, Limited, jointly with six other signatories have sent direct to your address. These remedies are the prohibition of Russian oil imports or alternatively the increase of the import duty on foreign kerosene as a whole *pari passu* with the reduction of the Indian market's selling price brought about by the present dispute.

2. On receipt of Messrs. John Taylor and Sons' letter His Excellency the Governor in Council considered it advisable to ascertain whether the proposals of the British Burma Petroleum Company, Limited, had the support of other oil producers in Burma. An enquiry addressed to the Managing Agents in Burma of the Burma Oil Company, Limited, and of the Indo-Burma Petroleum Company, Limited, and to Messrs. The Hessford Development Syndicate, Limited, elicited a joint reply, dated the 18th January, a copy of which is attached to this letter. In this reply the Companies emphasise the view that any measure other than either of the remedies suggested in the joint representation of the 15th December 1927, of which they also were signatories, can have only a temporary palliative effect on the damage which is now being done to the oil industry of Burma by the present rate war. They support the suggestion in Messrs. John Taylor & Sons' letter on the principle that even a modicum of assistance is better than none at all but submit that if the concession is to be of any material help a considerable increase is required in the maximum gallonage of petrol on which excise duty is remitted. Their alternative suggestion is that the duty should be remmitted on the kerosene and petrol production from a daily maximum of 1,500 gallons of crude oil. They estimate that on present process methods this concession would represent the exemption of approximately one million gallons of kerosene and 400,000 gallons of petrol per month. The Local Government has ascertained that the British Burma Petroleum Company, Limited, are prepared to support this modified proposal which represents an increase from a maximum remission of Rs. 10½ lakhs to a maximum of Rs. 19½ lakhs a year in the case of producers with a daily refinery throughput of 1,500 forty gallon barrels of crude oil. It is reasonable to suppose that the resulting loss to Central Revenues would, to a large extent, if not wholly, be made good by increased receipts from the Customs Duty on imported oil.

3. His Excellency in Council supports the alternative suggestion of the Companies as a temporary measure pending the result of the further action which I am now to recommend. If the facts stated in the joint representation, dated the 15th December 1927, from the seven oil companies are correct, the Russian oil which is now being landed in India has been purchased by the Standard Oil Company of New York at a rate appreciably lower than the very low price to which over-production in America has reduced the cost of American oil. It is contended that this very low rate is due to the fact that the Russian oil is produced from oil wells confiscated by the Soviet Government without compensation being paid to the owners; that the price at which this oil has been sold to the Standard Oil Company bears no relation to the commercial cost of its production; that the importation of this oil into India is for all practical purposes indistinguishable from dumping and that the object of this dumping is to cripple or destroy the indigenous industry in order to secure a subsequent monopoly. The Indian Fiscal Commission in paragraph 136 of its Report remarks that in a case like this it is clearly incumbent on the State to take measures to prevent the success of such a policy and in paragraph 306 it suggests that one of the ordinary functions which should devolve on the Indian Tariff Board is the investigation into allegations that dumping is taking place to the detriment of any Indian industry. The facts which have been placed before the Government of India by the seven Companies in their joint representation suffice in the Local Government's opinion to justify an investigation and I am to recommend that the Government of India should instruct the Tariff Board to undertake it without delay. The joint representation from the Companies indicates clearly the difficulties in the way of a joint application by all the producers for such an investigation. In the interests not only of the Indian oil industry but of India as a whole it is essential that the Central Government should come to a very early decision on the question whether the industry should or should not be given assistance in one or other of the only two forms which it considers effective.

4. *Primâ facie* an investigation by the Tariff Board into the question whether the oil industry requires assistance from Government should be a

public enquiry and the results of the investigation together with the facts and figures placed before the Committee by the Companies should be published. In the case of the oil industry a public enquiry would deprive the Tariff Board of the assistance of the Burma Oil Company and possibly of one or two of the other signatories to the joint representation. Information regarding the cost to the Burma Oil Company of its supplies of crude oil and of the expenditure incurred on refining and placing it on the market could not but be of the greatest value to its competitors. None of the parties involved in the present rate war is in possession of full information regarding the resources of its rivals and the real extent of the loss, if any, which the present low prices entail. The facts elicited at a public enquiry would supply material on which the Standard Oil Company could base a more accurate estimate than is possible at present of the resources of the indigenous producers in India and the cost to itself of a war *a l'outrance*. The result of a public enquiry might be to prolong the war. His Excellency in Council is therefore constrained to recommend that the proposed enquiry should be conducted *in camera*.

Enclosure.

Copy of a letter dated the 15th December 1927, from the British Burmah Petroleum Company, Limited, London, to the Government of India.

A general statement of the case of the indigenous petroleum producers *vis-a-vis* the importation of Soviet Kerosene into India has been prepared by the Burmah Oil Company, Limited, and to this statement we, in common with the other interested indigenous producers, are signatories.

It is therein stated that the war of prices will have a varying effect upon the Companies concerned and we embrace the opportunity of a supplementary statement to give some indication of the effect of these uneconomic prices upon the British Burmah Petroleum Company, Limited.

As we sell our Kerosene through the medium of the Kerosene Pool, and as we do not receive final Account Sales until after the close of the six-monthly period for which declarations are made, we are unable to quote exact figures for Kerosene disposed of under the conditions now ruling, but in the combined memorial it is shown that there have been effective reductions in prices since the commencement of the rate war in October last of Rs. 1-7-10 per unit of Superior Kerosene and Rs. 1-5-6 per unit of Inferior Kerosene.

The following figures will serve to indicate how reductions in prices of these magnitudes would affect our Revenue.

During our last financial year ending 31st July 1927 we shipped from our Refinery:—

709,945⅞ units (8 galls.) of Superior Kerosene.

1,214,197⅛ units (8 galls.) Inferior Kerosene.

Taking these quantities at those reductions in prices which have already occurred, the deficiency in revenue resulting from reduced prices would be as follows:—

			Rs.
Superior Kerosene .	709,945⅞	units at Rs. 1-7-10 =	10,57,523
Inferior Kerosene .	1,214,197⅛	,, at Rs. 1-5-6 =	16,31,577
			26,89,100

This sum at exchange 1*s*. 6*d*. is equal to £201,682.

We beg to enclose a printed copy of our audited Accounts* for the last financial year from which it will be seen that with the prices ruling prior

* Not reprinted.

to October the balance from Revenue Accounts carried forward to Profit and Loss Account was £260,953-7-1.

If this amount is adjusted by the extent of the Kerosene price reduction as shown above, the effect would be to reduce the sum carried to Profit and Loss Account to £59,271, and assuming the items on the Dr. side of that account to remain the same, the moderate profit of £53,863-8-11, shown in our Balance Sheet, would be converted into a loss of £147,819.

While we have no certainty that the limit of price cutting has yet been reached the above figures demonstrate the seriousness of the present position so far as this Company is concerned.

It will be obvious that if as seems probable the war of rates should spread to Petrol our situation will be further imperilled.

We believe the above figures will indicate to the Government of India the gravity of the situation. If further evidence is required we shall do our best to satisfy the Government of India by any means within our power. If nothing short of a public enquiry before the Tariff Board is considered necessary then, realising that our very existence is threatened we should be ready to acquiesce in such an enquiry, but in this connection we submit that the following facts should have the careful consideration of the Government of India.

The Standard Oil Company, not satisfied with that share in the increase of the Kerosene Trade of India to which its highly perfected organisation entitled it and not content with a world oil situation which favoured the Standard more than Indian producers, has taken advantage of the temporary appearance on the World's Oil Market of a source of cheap Kerosene which is not subject to ordinary economic laws.

It is therefore in a position to discount the relatively small differential between Import Duty and Excise and to strike a possibly mortal blow at that portion of the Indian Kerosene Market which is at present supplied by the smaller indigenous producers. It is believed that it is the settled policy of the Standard Oil Company to take advantage of periods of over-production such as the present, and by ruthless price cutting, to endeavour to drive smaller concerns out of business, thus consolidating its position in anticipation of eventual price recovery. To reveal to such a competitor details of costs, extraction of products, etc., as would appear to be a necessary accompaniment to a Tariff Board investigation would be to arm him with an additional powerful weapon.

If, on the expiry of its existing contract with the U. S. S. R., the Standard has succeeded in displacing the smaller indigenous producers in the Indian Kerosene Market, or forced them into an alliance with its organisations, it will have fulfilled its purpose.

We believe that nothing short of direct Government intervention can prevent the destruction of the smaller Indian producers.

As regards the assistance which the Government of India is asked to render the indigenous petroleum industry in its present straits, we desire to make the following submissions. In the recommendations of the Indian Fiscal Commission regarding the qualifications which an industry should possess to entitle it to protection, it is indicated that it should be of national importance, should be unable to continue unless help is afforded, and should be likely to be able to face world competition when fully established.

Although it seems probable that when framing these conditions, the Commission had in view industries of recent establishment, we think we might reasonably claim to be included. We can claim that the Indian petroleum industry is of national importance, the smaller producers in the aggregate a not unimportant portion of that industry, are unlikely to be able to continue unless help is afforded, and with a return to normal conditions there seems no reason why they should not be able to face world competition again in the future as they have done in the past.

There would thus appear to be strong arguments in favour of assistance to the industry by means of an adequate increase in the Import Duties.

It has been suggested, however, that only if a public official investigation showed that the indigenous industry was "in extremis" could assistance of this nature be considered. We submit therefore an alternative suggestion which would have the effect of giving a modified degree of support to that portion of the industry which is only too rapidly reaching a condition of "in extremis", and which support might be of more than its financial value as an indication that the Government of India would not countenance the destruction of the smaller producers. We suggest the removal of the Excise Duty on Kerosene and Petrol to the extent of a production of 1,000,000 gallons per month of Kerosene and 100,000 gallons per month of Petrol for each producer. The effect upon Government revenue would be small and although this suggested concession would by no means counteract the losses occasioned by the reduction in prices, it would help the smaller producers to keep in existence and assist them to continue their activities and tide over a period of adverse trade without disaster.

In conclusion we suggest that only a very short and incorrect view of the present situation can lead to the opinion that the public of India is benefited by the present low prices. The indigenous suppliers have kept the Indian Market supplied with cheap Kerosene at prices which attracted no competition from foreign sources. Can it be believed, that, if that, not inconsiderable proportion of this trade supplied by the smaller indigenous producers is removed from the market, its place will be filled by foreign importers who have hitherto ignored this low priced and therefore unattractive commodity?

We append for your information some particulars of this Company and its allied concern, the Rangoon Oil Company, Limited.

Of this Company's issued Share Capital of £996,284-8-0 divided into 2,490,711 Shares of the denomination of 8s., over 2,000,000 Shares are held by Shareholders numbering about 10,000 resident in India.

This Company is also largely interested in and acts as Managing Agents of the Rangoon Oil Company, Limited, a Company registered in India. It has an issued Capital of Rs. 12,43,330 in 124,330 Shares of Rs. 10 each of which this Company hold 113,460 Shares.

We beg to append also the following information concerning the approximate sums paid per annum by our Company in the way of Taxes, etc., to the Indian Government:—

	Rs.
Royalty	3,16,300
Excise Duty on kerosene	11,80,535
Excise Duty on Benzine	3,44,982
Income Tax on profits	1,53,917
Income Tax on Employees' salaries	47,160
	20,42,894

Vacuum Oil Company, Bombay.

(1) Letter dated the 8th March 1928, to the Central Board of Revenue, Delhi.

It has been represented in the newspapers that the Burmah-Shell Combination propose sending a deputation to you with a request to impose preferential duty against Russian oil.

I have already intimated in the newspapers that my Company have no intention of marketing Russian oil in India, Burma and Ceylon, which is

the division for which I am responsible. I think, however, in view of the protection sought by the above combination, you may be interested in the attached copy of circular issued by the Burmah Oil Company, although for that matter of it it might as well have been issued by the Shell Company, because both are issuing similar circulars. This is one of a series of circulars to the same intent—all of the same nature.

The point in this particular campaign is that we calculate that about 60 per cent. of the motorists in India actually use Gargoyle Mobiloil, whereas the purpose of the above combination, in which the moving spirit is the Shell, is to restrain these motorists from buying what they want. I do not know whether this comes under "restraint of trade" in India, but that in effect is what their policy amounts to.

The Vacuum Oil Company have been selling Gargoyle Mobiloil, which is our special motor car oil, in India for over 20 years now, whereas Shell motor oil was only brought in a few years ago and presumably has not got a big market, otherwise there would be no necessity for their writing intimidating letters of this nature to dealers.

As the letters of this combination give a somewhat erroneous impression in the matter, I would like to point out that most dealers were handling petrol before the Shell Company came to India, and in pre-war years American petrol was marketed in India also, so that it is not just correct to imply that the Shell Company started these dealers in business.

That my remarks on the subject are not unjustified is indicated by the fact that Wakefield and Company—an English Company marketing Castrol Motor Oil in India—are now included by the above Combination in their attempt to interfere with the free choice of the motorist. You will recognize that if the petrol Combination are allowed to continue their present practice—if successful—it will in time mean that no motorist would be able to buy the lubricating oil he wants but would have to be prepared to buy what the petrol combine will allow him to get.

I might point out that according to the import list the Asiatic Petroleum Company are importing the bulk of their own oil from the Dutch East Indies, and which therefore cannot be considered as an indigenous product in so far as India, or in fact any British possession, is concerned.

The Vacuum Oil Company for a number of years prior to the Russian revolution was doing an extensive refining and marketing business in Russia involving an investment of many million dollars. As a consequence we were substantially affected by the nationalization of the petroleum industry. It is obvious therefore we are directly interested in the matter of compensation. We expect in due course to negotiate for the compensation covering the large values that were taken over at that time and to make satisfactory recovery, but this can be in time adjusted without involving the question of either buying from or selling to Russia. The entire organization in India of my Company is British.

Enclosure.

Copy of letter, dated nil, *from the Burmah Oil Company, Limited, Bombay.*

SHELL MOTOR OILS.

We regret to find that you have not yet replied to our circular letter of 18th ultimo on the subject of Motor Lubricating Oils marketed by this Company.

It must be understood that henceforward it will be one of the conditions under which we supply agents and dealers up-country with their requirements of petrol, that these agents and dealers push our principal brands of motor oils, *i.e.*, Shell Motor Oils for high grade consumers and B. O. C. Motor Oils for those who prefer cheaper quality.

If you are unwilling to help us in this direction, we shall not hesitate to seek the help of other dealers in your district who will no doubt be only

too pleased to order supplies of oil from us in return for the advantages which direct supplies of B. O. C. or Shell petrol give them.

We shall be obliged if you will send us your initial orders for Shell Motor Oils without further delay, and at the same time indicate what you require in the way of signboards and charts, and let us know what quantity of high grade oil (Shell, Gargoyle, Mobiloil, Wakefield's Castrol, etc.) you are able to consume annually so that we may prepare a shell motor oil agreement for you.

All supplies of shell motor oil that you order now will be included in the agreement which we shall send you in due course.

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(2) *Letter, dated 12th March 1928, to the Central Board of Revenue, Delhi.*

With further reference to my letter of March 8th, I should have stated that the advent of Russian oil had nothing to do with the present policy of the Shell Company because since 1926 they have been interfering with the freedom of action of motor car dealers in India on exactly the same lines as the circular indicates, taking advantage of the fact that all the petrol being consumed in India was produced in Burma and was therefore a monopoly. The only difference now is that they are tightening the screws.

I feel it advisable to make this explanation, otherwise it would be thought that they were simply trying to preserve themselves and their monopoly. That is not the case; they took advantage of their monopoly while they had it, and I think you will find that the great majority of motor dealers in India will be very pleased indeed just as soon as they can say good-bye to the Shell Company. This could easily be ascertained by having a talk with any motor car dealer. A number of dealers have asked us to import petrol on this account alone, but we confine ourselves here to lubricating oil.

Letter No. 141-T (39), dated the 26th March 1928, from the Joint Secretary to the Government of India to the Secretary to the Government of Burma, Revenue Department, Rangoon.

I am directed to refer to Mr. Cooper's letter No. 438-K-27, dated the 27th January 1928, on the above subject and in reply to state that the Government of India have decided to direct an immediate enquiry by the Tariff Board into the question of the safe-guarding of the Indian oil industry from the injury inflicted on it by the dumping of imported kerosene in India. I am to enclose copies of the Resolution issued by the Government of India on the subject and of the reply sent by them to the representations submitted by the oil companies.

2. The local Government proposed, as a temporary measure, pending the result of the enquiry by the Tariff Board, a scheme put forward by certain oil companies by which the excise duty would be remitted on the kerosene and petrol production from a daily maximum of 1,500 gallons of crude oil for each consumer. The Government of India regret that they are unable to accept this proposal, for it would involve a sacrifice of revenue which would seriously embarrass their finances in 1928-29. So far as kerosene is concerned the loss could be made good by a simultaneous small increase in the excise and customs duties. The loss of the excise duty on petrol, however, could not be recovered in that way, for it would mean an increase in the price of petrol by two annas a gallon for which there is no justification. The consumer cannot complain if the price of kerosene is raised slightly so long as it is still below world parity, but the motorist would be naturally indignant if he were compelled to pay a higher price for his petrol merely because there was a rate war in kerosene. Of course, if, as seems likely, the rate war eventually extends to petrol this difficulty would disappear. Even apart, however, from financial considerations, the Government of India could not accept the recom-

mendation of the local Government. The circumstances of the oil industry are so peculiar and the opposition to the grant of any assistance is likely to be so great, that it would be impossible to establish a case for the grant of assistance in advance of the enquiry by the Tariff Board.

3. The Government of Burma, while agreeing that *primâ facie* an investigation by the Tariff Board should be a public enquiry, feel constrained to recommend that the proposed enquiry into the Oil industry should be conducted *in camera* mainly on the ground that a public enquiry would deprive the Tariff Board of the assistance of the Burma Oil Company and possibly of one or two of the other signatories to the joint representation, and that the facts elicited at a public enquiry might supply material on which the Standard Oil Company could base a more accurate estimate of the resources of the producers in India and the cost to itself of a war *à l'outrance*. In the Resolution directing an enquiry by the Tariff Board the Government of India have stated that no detailed examination of the costs of production will be necessary, and the need for secrecy has, therefore, to a very large extent, disappeared. But the Government of India would not, in any case, have been prepared to interfere with the discretion of the Board in the matter, and they feel strongly that a secret enquiry would serve no useful purpose, because the Legislative Assembly would undoubtedly refuse to act on findings and recommendations based on such an enquiry.

Enclosure.

Copy of letter No. 141-T (39), dated the 26th March 1928, from Mr. J. A. Woodhead, I.C.S., Joint Secretary to the Government of India, Department of Commerce, to the Burma Oil Company, Limited, Calcutta, the British Burma Petroleum Company, Limited, Rangoon, the Assam Oil Company, Limited, Assam, the Indo-Burma Petroleum Company, Limited, Rangoon, the Rangoon Oil Company, Limited, Rangoon, the Attock Oil Company, Limited, Rawalpindi, the Hessford Development Syndicate, Limited, Rangoon.

I am directed to refer to the representations dated the 15th December 1927, submitted by a number of the companies engaged in the production of petroleum in India asking for protection against the injury inflicted on them by the price war now in progress in India between the Standard Oil Company of New York and the Royal Dutch Shell Group. The Government of India have given these representations their most careful consideration and have decided on an immediate enquiry by the Tariff Board into the question of safeguarding the oil industry in India from injury by dumping, that is the sale of imported kerosene in India at prices below world parity. A copy of the Resolution issued by the Government of India directing the enquiry forms an enclosure to this letter.

2. I am to take this opportunity of referring to certain statements made in the joint representation submitted by the Companies on the 15th December 1927. In paragraph 3, it is stated that in reply to their application for the prohibition of the import of Russian oil or an increase in the import duties on kerosene, they were informed by the Government of India that "Neither is within the executive power of the Government and that the legislature itself would refuse to act until public official investigations showed that the indigenous industry was 'in extremis' and that some such action was necessary if it had to be saved". The phrase "in extremis" is repeated more than once and in one passage the expression 'mortal distress' is used as an alternative. These statements misrepresent the attitude of the Government of India and are not warranted by anything they have said or written on the subject. Their position was accurately defined in their memorandum dated the 17th September 1927, to the General Manager in India of the Burma Oil Company, Limited, the relevant passage in which runs as follows:—

"But the special reasons why the industry cannot for the time being maintain itself without protection should be fully stated . . . .

To establish a claim to protection, the fact that injury to the industry is apprehended is wholly insufficient. It must be shown that the price of the imported products has in fact inflicted injury and there must be evidence of the extent of the injury suffered ".

3. In paragraph 16 of the joint representation the loss of income to the indigenous producers occasioned by the fall in the price of kerosene is estimated to be £1,800,000 annually and the whole of this loss is ascribed to the dispute originating in the sale in India of low priced Soviet oil. This estimate of the loss is based on the difference between the average price obtained for superior kerosene before the price war began, and the average price obtained in the week ending the 26th November 1927, this difference amounting to Rs. 1-14-8 per 8 gallon unit. I am to point out that, according to paragraph 14 of the representation at the opening of the dispute, the price of superior kerosene was Rs. 5-12-0 per unit, and that this price was approximately the equivalent of world marked values calculated on the f.o.b. price of kerosene in the Gulf ports of America. It appears from information supplied by the Hon'ble Mr. Gray of the Burma Oil Company on the 2nd February 1928, that with the f.o.b. price of kerosene in the Gulf ports at 5·75 cents. per American gallon, the equivalent selling price in India of kerosene in bulk *ex* main ocean installation would be Rs. 4-10-3 per unit, and with the f.o.b. price at 6¼ cents. per American gallon, the equivalent selling price in India would apparently be Rs. 4-13-10 per unit. It is evident, therefore, that the fall of world prices generally must in any case have brought about, by the date of your letter, a reduction of 14 annas per unit in the selling price of kerosene in India quite apart from the dispute between the Standard Oil Company of New York and the Royal Dutch Shell Group. In these circumstances, it seems to the Government of India an obvious inaccuracy to ascribe the whole of the loss suffered by the indigenous producers to the dispute.

The Burmah Oil Company, Limited (Scotland).

Representation dated Rangoon, the 14th April 1928.

We have the honour to address you with reference to the Government of India (Commerce Department) Resolution dated 26th March 1928, in which it was decided to hold an enquiry into the effect upon the Indian Oil Industry of the price war at present in progress between the Standard Oil Company of New York and the Royal Dutch Shell Group.

The origin of the dispute between these two companies and the justification of the action of the disputants, it is unnecessary to examine here, since the arguments on both sides have been fully set forth in the Press; and, moreover, the question with which the present enquiry is concerned is *not* the sympathy which should be accorded to foreign companies but the assistance which should be granted to the indigenous Indian producers from foreign aggression from whatsoever quarter it may arise.

In a recent issue of an Indian newspaper which has the reputation of being well-informed, we saw it stated that " when the Standard Oil Company of New York began importing Soviet oil into this country, the representatives of *indigenous oil companies, including the Royal Dutch Shell Group* (which uses Burma oil) and the *Burmah Oil Company, through their marketing organisation, the Asiatic Petroleum Company,* retaliated by *inaugurating a price cutting war.*" It would hardly be possible to include a larger number of mis-statements of fact into so brief a sentence, and in face of the possibility that such erroneous opinions may be widely held, we think it necessary to lay before you the main facts of the relations between the Royal Dutch Shell and the Burmah Oil Company, Limited.

The Royal Dutch Shell group is not an indigenous oil company, since it does not produce oil in India and has no sort or kind of control over the production of petroleum or its products by any indigenous oil company.

The Asiatic Petroleum Company is not and never has been the marketing organisation of the Burmah Oil Company.

Neither the Burmah Oil Company nor any other indigenous oil company inaugurated the price cutting war. They were compelled to follow the price reductions by the fundamental economic law that, when one party who has the necessary supplies at his disposal sells an article at a certain price, it is impossible for another party to sell the same article in the same market at a higher price.

The arrangement existing up to 31st December 1927 between the Burmah Oil Company and the Asiatic Petroleum Company, and to which certain other indigenous companies contributed in association with the Burmah Oil Company,—an arrangement which has merely been perpetuated and placed upon a sounder basis by the formation, since the beginning of this year, of the Burmah-Shell Oil Storage and Distributing Company of India, Ltd.—was a purely marketing arrangement, the main object of which was, by the averaging of the cost of more expensive imported kerosene with that of cheaper indigenous oil, to keep down the price of kerosene for the poorer class of Indian consumer. To arrive at an estimation of the benefit which this arrangement has conferred upon the poorer Indian consumer would require lengthy research and complicated calculation; but at the Annual General Meeting of the Burmah Oil Company held in June 1923, the Chairman stated that since June 1919 (when the arrangement came into force) up to that time the saving which it had enabled India to make in her kerosene bill amounted to over £22,000,000, and it is therefore probably correct to state that, up to the present date, the benefit to the Indian consumer is represented by a sum not far, if at all, short of £50,000,000.

It was also a fundamental principle of this arrangement that the Royal Dutch Shell group (through the Asiatic Petroleum Company) recognised the prior claim of India-produced oil to the Indian market.

At the beginning of the dispute with the Standard Oil Company, the Asiatic Petroleum Company, in order to secure freedom of action, gave notice of termination of this arrangement and it came to an end on 31st December 1927. The Burmah Oil Company could, under the arrangement, have held prices until that date, but (apart from any question of sympathy on moral grounds with the Royal Dutch Shell in their retaliation against the Standard Oil Company's dealings in "stolen" Soviet oil) they decided that, by so doing, they would merely postpone and not prevent the rate war; and moreover, by a breach with the Asiatic Petroleum Company, they would incur the hostility of a powerful rival in place of a friendship which has continued for many years and which has resulted in the benefits to the Indian consumer and the Indian Oil Industry to which reference has been made above.

The price at which kerosene was sold to the consumer was fixed so as to balance the receipts from sales as nearly as possible with the amounts paid by the "Kerosene Pool" for the kerosene contributed to it from foreign sources and by the indigenous companies. The contributing price of foreign oil was fixed each half-year by the current world market value of kerosene and current freight quotations; and the price of indigenous supplies was fixed partly by the Burmah Oil Company's maximum price policy, by which a certain quantity of inferior kerosene is contributed at Rs. 2-14 *plus* excise duty per unit of 8 gallons, and partly at a figure not exceeding that at which foreign supplies were contributed.

From this it will be clear that the pooling arrangement gave to the Asiatic Petroleum Company no control over the selling price to the consumer. Such effect as their action has recently had upon prices in India has been due to the economic law to which we have alluded and has been in spite of, and not on account of, their relations with the Burmah Oil Company.

II. The position of the Burmah Oil Company with regard to the application for protection against the results of the price war.

The Burmah Oil Company is suffering and, so long as the rate war lasts, will continue to suffer grievous losses. These losses have already necessitated a certain curtailment of operations which are not immediately essential to the maintenance of its supply of its raw material, and still further restriction of activities which at present provide employment and sources of state revenue will no doubt be necessary before conditions return to normal. But, though our resources may be seriously crippled, we expect to be able to carry on so long as the war is likely to continue, and so long as our operations are only relatively and not absolutely unremunerative, we feel that we cannot be applicants for protection. We realize, however, that the case of other companies is very different from our own and that their continued existence may already be in jeopardy; and we foresee that their extinction coupled with the limitation of our own power to develop the properties entrusted to us by the State will result in a set-back, from which it will never recover, to an industry which is of vital importance not only to India but to the British Empire.

It is because we perceive the imminent danger which threatens the smaller companies and the possible future irremediable damage to an important state asset, that we have previously suggested ways and means by which the industry as a whole might be secured, while at the same time the Burmah Oil Company would not be placed in a position to increase its profits beyond those which were possible under the price conditions existing before the rate war. For ourselves we only ask that the assistance given shall not take the form of differentiation between the larger and the smaller indigenous producers other than such as may arise from their different volume of production, since the difference between ourselves and others is merely a difference of degree, and it is possible that a continuance or intensification of the present conditions might reduce us to a plight no better than that in which they find themselves to-day; and we think it essential that the Government of India should be placed in a position to take immediate steps, both now and in the future, to prevent foreign importers from selling at prices below the world parity.

III. *First paragraph of terms of reference.*—"To determine what price for kerosene should be taken to be equivalent to world parity at Indian ports, and the extent to which current prices in India are below that level."

It appears to be the object of this enquiry to determine to what extent the fall in prices in India since the beginning of the dispute between the Standard Oil Company of New York and the Royal Dutch Shell is due to the rate war and to what extent it is due to the decline in world market values. This, however, is a question to which it is impossible to give a definite answer, because India is not the only country which has been affected by the dispute and because the placing upon the market of large quantities of Russian oil at prices very much below world parity must necessarily have affected the tendency of prices throughout the world. Therefore, while it is no doubt possible to import kerosene into India at a lower price to-day than before the rate war, this lower price is itself to some extent, if not entirely, due to the dispute and it is, therefore, incorrect to regard the difference between to-day's selling prices in India and to-day's world parity as the complete measure of the loss which Indian companies are suffering through the dispute. Subject to this caveat we show in a statement attached :—

In Column I the average return *ex* main installation from sales of the Superior and Inferior Oil of the "Kerosene Pool" at actual selling prices week by week from the beginning of the rate war up to the latest week for which figures are available.

In Column II the average return which would have been realized if the same volume of kerosene had been sold at prices *ex* Indian Installation equivalent to world market value. In a statement submitted to the Assistant Secretary, Commerce Department, on 2nd February 1928, this price

was shown to be Rs. 4-10-3 per unit for Superior Oil. This figure is taken for the purposes of this calculation and the usual differential of 4 annas per unit for Inferior Oil is allowed, making the price of the latter Rs. 4-6-3.

We think it necessary to point out, however, that these figures can only give a very rough idea of the returns which would have been realized from selling prices based on the world parity. Even supposing a shipment were made to India from the Gulf immediately after a reduction in the American rate had been made—and actually it is quite likely that several weeks might elapse before a shipment was made—the kerosene could not be placed on the Indian market earlier than about 2½ to 3 months after date of shipment, and even then an importer would probably average the cost of cheaper new supplies with the cost of more expensive oil which he already had in stock in India, in order to arrive at his selling prices. If, therefore, the indigenous producer is considered to be entitled to a return equivalent to that which would be realized from prices at which a competitor importing from America might be expected to sell, it is necessary to bear in mind that a considerable period would elapse before the effect of a fall in world market values would make itself felt in India.

It has already been stated that the object of the pooling arrangement is to recover from the market as nearly as possible the same amount as the "Pool" (or its successor Company) pays for its supplies to the contributing companies, any excess or deficit over one half year being adjusted in the next. Therefore by applying the prices paid by the "Pool" for its supplies to the volume of sales we shall arrive at approximately the same result as would be obtained by applying the selling prices to the consumer to the same volume.

To arrive at the selling prices to the consumer in India on the basis of 5¾ cents f.o.b. Gulf Ports would involve the taking into consideration of various factors such as the excess or deficit during the previous period between the "Pool's" receipts and disbursements, the quantity of oil in stock, etc., etc., all of which it is of course impossible to determine in stating a purely hypothetical case. Therefore the only figure which we can take for the purposes of this column is the price at which the "Pool" might have obtained its supplies, which, as stated, gives approximately the correct result.

In Column III the average return which would have been realized from the same volume of sales, if the pre-war prices of Rs. 5-12 for Superior and Rs. 4-6 for Inferior had been maintained throughout the period.

In Column IV the difference between Columns I and II.

In Column V the difference between Columns I and III.

IV. *Second paragraph of terms of reference.*—"To report whether it is in the national interest that protection against the dumping of imported kerosene should be given, and if so in what form and for what period."

In the attached statement an attempt has been made to show the loss which has been incurred by the Indian companies owing to the rate war. The representations of other companies will doubtless show whether their existence is threatened by the continuance or intensification of the conditions to which these losses are due. The Burmah Oil Company, Limited, while it is not now and hopes never to be in danger of extinction because of these conditions, must obviously be affected to such an extent that it will not be able, as it has been able in the past, to devote an enormous amount of undistributed profits to the exploration of possible new sources of supply and the introduction of up-to-date methods of winning and refining crude oil which is so essential to the oil industry in face of the ever-increasing expense and difficulty of obtaining its raw material, with which it is to-day confronted in India.

The Provincial Governments concerned have recognised, in the serious loss of profits occasioned by the existing level of kerosene prices now ruling in India, sufficient justification for releasing, for the time being, the

indigenous producers from their obligations under Prospecting Licenses and Mining Leases, to explore areas which are only potentially petroliferous and not definitely proved to be productive; and recently the Government of Burma has gone even further by agreeing to the suspension of operations in proved but unremunerative territory.

In his Annual Mineral Review for 1925, the Director of the Geological Survey of India, in dealing with petroleum, expressed the view that "there is now little doubt that this deficit" (*i.e.*, between 1925 and 1921 petroleum production) "of some 5 million gallons forms part of the evidence that the inevitable decline has set in and, with possible interruptions, is likely to continue slowly and steadily during the present generation, *unless* a new field of importance is discovered".

From the foregoing it will be clear that—

(*a*) so far as can be foreseen there will be a decline in the yield of petroleum from Indian fields unless hitherto unknown productive territory is found or petroliferous strata are found in known productive territory at greater depths than have yet been explored;

(*b*) that so long as the dumping of imported kerosene continues, no indigenous company, however strong, can afford to undertake the exploratory work necessary to discover new fields or new strata in existing fields; and

(*c*) under existing conditions, therefore, a gradual decline in the Indian Oil Industry is inevitable and there is a possibility of new sources of supply remaining undiscovered.

The answer to the question propounded in this paragraph of the terms of reference is, therefore, the same as the answer to the question "is it in the national interest that the oil industry should be maintained at maximum efficiency and that every endeavour should be continued to discover fresh supplies of petroleum in India?"

Though no allusion is made in the terms of reference to the imperial interest, it may perhaps be assumed that it is not intended that this wider aspect of the case should be entirely ignored.

One of the lessons which was taught to the world by the Great War was the vital importance to any combatant of having supplies of the various products of petroleum upon which it can rely in case of emergency; and both during and after the war much was said of the necessity for encouraging the development of petroleum within the British Empire. The vital importance to the British Empire of the possession of sources of supply of petroleum products and the importance of the oilfields of India as its main source of supply are of course well known to the Soviet Government, whose policy is notoriously the disruption, by fair means or foul, of the British Empire.

In spite of the fact that it has not sufficient supplies of petroleum products to meet the requirements of its own nationals, and in spite of the fact, as recently reported in the Press, that certain Russian Oil Trusts have shown enormous deficits during the past year (a result which is attributed to high cost of production and the price war!), the Soviet Government has entered into contracts with the Standard Oil Company, extending, it is understood, over a period of six years and at prices which are very much below the world parity, and which, without doubt, have had the effect of depressing world prices. In such circumstances it is difficult to believe that the Soviet Government can have had any other objects than firstly to obtain ready money, a certain proportion of which would no doubt be used to assist its campaign of anti-British propaganda; and secondly to strike a blow at the petroleum resources of the British Empire.

Assuming, then, that India's national interest is bound up in the welfare of the British Empire, it may be said without hesitation, for this reason if for

no other, that it will be for the benefit of India if Government takes steps to guard its oil industry from external attacks such as that to which it is now being subjected.

But if we look at the question from the narrower view-point of India's own interest there are several reasons why the oil industry should be maintained at maximum efficiency.

It is our belief, as indicated above, that an attempt is being made to cripple the Indian Oil Industry; and in place of American Oil which formerly supplied part of the difference between India's output and India's demand, Russian Oil is now being introduced. This process, as we hope to prove later, is likely to extend to petrol, unless steps are taken to prevent it. The hope of the Soviet Government no doubt is rapidly to decrease the capacity of the indigenous companies to meet the ever-growing demand for petrol, and thus to make room for an ever-increasing supply of Russian petrol. It is unnecessary to elaborate the position in which the Army in India would find itself in the event of an attack on its frontier launched or fomented by Russia, if it was, even in part, dependent upon Russia for its supplies of petrol.

The effect on the revenues of India which would be brought about by the crippling of its oil industry may be judged from the following figures which represent the contributions by the Burmah Oil Company alone to Provincial and Central exchequers during 1927:—

	Rs.
Royalty	24,61,682
Boiler Tax and Licenses	1,05,434
Storage fees and Licenses	83,642
Prospecting Licenses	40,296
Excise duty—Petrol	99,47,588
Excise duty—Kerosene	77,24,256
Income-Tax—Company	22,80,407
Income-Tax—Employees	3,09,467
Super-Tax	15,18,214
Company Tax	20,000
Customs Tax	46,50,086
TOTAL	2,91,41,072

In addition we contribute largely to the revenues of Port Authorities, Railways, River Steamer Companies, etc.

At the end of 1927 the Burmah Oil Company alone provided employment for 38,180 natives of India representing with their dependents a population of about 200,000 and in addition some 20,000 sub-agents, etc., were dependent upon it, partly or wholly, for their livelihood. Any decrease in the activities of the oil companies will throw a large number of workmen out of employment, and indeed this reduction of employment has already commenced as a result of the curtailment of operations necessitated by the rate war.

There is no doubt a large body of public opinion which holds the short-sighted view that anything which tends to provide the Indian consumer with his immediate requirements at cheaper prices must be in the national interest of India. That this view is short-sighted is obvious for the following reasons.

In the first place, the present price war must come to an end sooner or later. So long as it continues the foreign, as well as the indigenous, companies are suffering serious loss of profits, and since these foreign companies

have no reason to consider the interests of the Indian consumer, it is to be expected that, when the war is over, they will endeavour to recover these losses by fixing a higher price for the petroleum products which it is necessary for India to import, than would normally have ruled if no rate war had occurred.

Furthermore, we have indicated in an earlier part of this letter the method by which selling prices in India have been fixed in the past greatly to the advantage of the consumer. The association of the Burmah Oil Company with the Asiatic Petroleum Company for this purpose has fixed the price at which all others have had to sell. The ability of the Burmah Oil Company to secure the acquiescence of the Asiatic Petroleum Company in such an arrangement, and thereby to control prices in the Indian market, is entirely dependent on its control at all stages from the well to the consumer of a preponderating volume of the supplies necessary to meet the demand, and therefore, if the resources of the indigenous companies are allowed to be crippled, a point must soon be reached where they are no longer able to control the market, and the Indian consumer will be at the mercy of the foreign importer.

V. *Third paragraph of terms of reference.*—" To report whether it is likely that the price war will extend to petrol, what the consequences to the Indian producers are likely to be if it does, and in that case what measures they would recommend."

That the Standard Oil Company of New York proposes to make an attempt to establish a footing in the Indian petrol market is proved beyond doubt by the fact that they have applied for and (we understand) have obtained sites at some of the main Indian ports for the erection of the necessary installations. We hear, moreover, that they have called for quotations from firms in India for the construction of these installations. They have also publicly announced to dealers that they are about to put petrol on the market.

The indigenous oil companies are able to meet the whole of India's demand, and any importation of foreign petrol is therefore an attack upon the indigenous industry, which it must resist in order to prevent itself from being driven to less remunerative markets further afield.

The answer to the question whether the rate war is likely to extend to petrol is therefore in the affirmative, with this difference, that the indigenous industry will be directly attacked, instead of, as in the case of kerosene, being the victims of a war between two foreign concerns.

What the consequences to the Indian producers are likely to be it is impossible to determine. It depends upon the lengths to which the Standard Oil Company are prepared to go in order to establish themselves in India. With supplies obtained from Russia at what amount to little more than nominal prices, it is obvious that they could, if they so desired, market their petrol at prices which would inevitably bring about the ruin of the indigenous industry.

P.S.—Since this letter was written we have received cabled advice from London that the Gulf price for Superior Kerosene has now risen to 6 cents.

APPENDIX.

Statement showing the average returns for superior and inferior kerosene *ex* main port installation realized or realizable on the basis of :—

I.—Actual selling price.

II.—" World Parity."

III.—Pre-rate war selling prices, and

IV.—Loss incurred per unit by comparison of I and II.
V.—Loss incurred per unit by comparison of I and III.

Week ending	I.			II			III.			IV.			V.		
	Rs.	A.	P.	Rs	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
1st October 1927	4	7	2	4	7	9	4	14	2	0	0	7	0	7	0
8th October 1927	4	7	0	4	7	8	4	13	10	0	0	8	0	6	10
15th October 1927	3	12	0	4	7	5	4	12	7	0	11	5	1	0	7
22nd October 1927	3	10	2	4	7	7	4	13	4	0	13	5	1	3	2
29th October 1927	3	9	0	4	7	8	4	13	9	0	14	8	1	4	9
5th November 1927	3	9	4	4	7	9	4	14	0	0	14	5	1	4	8
12th November 1927	3	8	4	4	7	8	4	13	10	0	15	4	1	5	6
19th November 1927	3	7	6	4	7	8	4	14	3	1	0	2	1	6	9
26th November 1927	3	7	10	4	7	9	4	14	2	0	15	11	1	6	4
3rd December 1927	3	8	2	4	8	0	4	15	3	0	15	10	1	7	1
10th December 1927	3	7	1	4	7	9	4	14	3	1	0	8	1	7	2
17th December 1927	3	7	2	4	7	10	4	14	9	1	0	8	1	7	7
24th December 1927	3	4	1	4	8	0	4	15	8	1	3	11	1	11	7
31st December 1927	3	5	6	4	8	1	4	15	11	1	2	7	1	10	5
7th January 1928	3	5	7	4	7	9	4	14	3	1	2	2	1	8	8
14th January 1928	3	3	6	4	7	10	4	14	8	1	4	4	1	11	2
21st January 1928	3	2	10	4	7	11	4	15	2	1	5	1	1	12	4
28th January 1928	3	1	11	4	7	11	4	15	1	1	6	0	1	13	2
4th February 1928	3	3	4	4	8	0	4	15	7	1	4	8	1	12	3
11th February 1928	3	2	5	4	7	11	4	15	4	1	5	6	1	12	11
18th February 1928	3	3	3	4	8	0	4	15	8	1	4	9	1	12	5
25th February 1928	3	3	0	4	8	0	4	15	6	1	5	0	1	12	6
3rd March 1928	3	3	5	4	7	11	4	14	10	1	4	6	1	11	5
10th March 1928	3	4	4	4	7	10	4	14	6	1	3	6	1	10	2
17th March 1928	3	3	8	4	7	11	4	15	2	1	4	3	1	11	6
24th March 1928	3	4	4	4	7	11	4	15	3	1	3	7	1	10	11
31st March 1928	3	5	7	4	8	0	4	15	7	1	2	5	1	10	0
Average	3	7	0	4	7	6	4	14	8	1	0	6	1	7	8

NOTE.—The above figures relate to the sales in the Kerosene Pool-Burmah Shell Oil Storage and Distributing Company of India Ltd. marketing area. The total units sold during the period was 1,09,97,244, and therefore the total decrease in returns based on the average of Column IV is Rs. 1,13,40,908 and on the basis of the average of Column V, Rs. 1,62,66,756. The rise in Gulf prices advised in the postscript to our letter would increase the corresponding figure per unit in India by approximately 1¼ annas, and the decrease in returns on the basis of "World Parity" would be Rs. 1,22,00,068.

The Assam Oil Company, Ltd.

Representation dated Rangoon, the 20th April 1928.

In a separate representation, submitted with reference to the Government of India (Commerce Department) Resolution, dated 26th March 1928 appointing an enquiry into the present conditions affecting the Oil Industry in India, we have endeavoured to set before you the position as it affects the Industry as a whole. We now have the honour to address you with special reference to the Assam Oil Co., Ltd.

In 1921 the Burmah Oil Company took an interest in this Company and at the same time took over its management. For the previous year the crude oil production had been 5,206,850 gallons before deducting the quantity of mud and water separated from the oil and for the year 1927 it was 22,775,048 gallons after deducting these losses. This increase has been secured by increased drilling effort and by the introduction at great expense of up-to-date

methods and equipment for the drilling and producing of wells and oil field services generally. At the time of taking over by the Burma Oil Company, the refining plant was out-of-date and inefficient, and for this reason and in order to handle the increased volume of crude production it has been necessary to rebuild and extend the Refinery, introducing all the most recent improvements in refining practice. To provide for all these improvements, it has been necessary for the Burmah Oil Company to advance the Assam Oil Company a large sum of money which at the end of September 1927 amounted with interest outstanding to £930,838. By the time all the new plant is in operation, it is likely that the loans and unpaid interest will have reached a figure considerably in excess of £1,000,000.

Whereas during the three years previous to the taking over the expenditure on drilling and deepening wells was £22,195, £33,537 and £35,300, since that time the expenditure has been:—

	£
1921	39,785
1922	62,044
1923	56,392
1924	79,016
1925	111,965
1926	120,303
1927 (January/September)	164,229

and whereas there had previously been practically no expenditure on exploratory work outside the Digboi Field, the expenditure of recent years has been as follows:—

	£
1923	23,330
1924	49,343
1925	59,462
1926	48,294
1927 (January/September)	43,243

While all this expenditure has been going on with a view to promoting the development of the Oil Industry in Upper Assam, there has been no return to the shareholders in the shape of dividends; but so soon as facilities for refining and placing on the market the increased volume of products obtainable from the increased supplies of crude oil resulting from additions to and improvements in drilling, etc., equipment, are completed, there would, in normal times, be every prospect that the Company would soon be in a position to make some return on the capital invested. Such a prospect is however indefinitely postponed, so long as returns realized by the sales of products are reduced, as a result of the dispute between the Royal Dutch Shell and the Standard Oil Company of New York, to anything like the extent shown in the accompanying statement. The Burmah Oil Company, itself suffering serious losses as a result of the rate war, will be unable to render the assistance, which it has given in the past to an enterprise which will offer no hope of its ever being remunerative, and operations will have to be abandoned in a Field, of which perhaps alone of all the Indian Fields it can be said with confidence that its period of greatest productivity still lies in the future.

As to the importance to India of this Oil Industry in Upper Assam, we do not think it is necessary for us to add anything to what we have written in our separate representation, since the Assam Oil Co., contributes to the political strategic and economic life of India in the same way, though in a lesser degree, as does the Burmah Oil Company.

On account of the precarious position in which the Assam Oil Company is now placed, we have supported the proposal put forward by other Oil Companies that some relief should be given by means of the remission of excise duty on kerosene and petrol. Since, roughly, the strength or weakness of a

Company may be gauged, by the volume of its crude resources, it is suggested, with a view to giving relief in proportion to the urgency of the need for it, that the excise duty should be remitted on kerosene and petrol produced from total refinery throughput or from a throughput of 1,500 barrels of crude oil per diem, whichever shall be less. It is suggested that this remission be granted not only for the period of the rate war, but as a permanent measure of relief to the indigenous industry from the conditions arising from over-production in other parts of the world.

We have stated elsewhere that, as representing the Burmah Oil Company, we cannot regard the danger of extinction as so serious as to justify us in asking for protection on behalf of that Company; but since the incidence of the relief suggested above will be much less per unit of products sold in the case of the Burmah Oil Company than in the case of smaller producers, we feel that our support of this suggestion is not contrary to the dictum of the Government of India that measures of relief should be sought "by which substantial relief could be given to those Companies which are most in need of it, while at the same time a disproportionate share of the higher price paid by the consumer would not pass into the hands of the stronger firms".

If effect were given to this suggestion, some relief would be given to the industry from the difficulties with which the various companies are at present confronted in varying degree; but the root of the problem would not be reached, since no protection would be granted from the results of world over-production, disputes between foreign groups or deliberate attack upon the Indian industry. In order to enable a company of the financial standing of the Assam Oil Company to make some return to the public on the capital which it has invested, more definitely protective measures would be required.

At the present day the Indian industry is less favoured by protective tariffs than it was in former days when its costs of production were lower than they are to-day. In 1922 when the excise duty of 1 anna per gallon of kerosene was imposed on the indigenous industry, no corresponding addition was made to the import duty, and the protection was therefore reduced from 2½ annas per gallon to 1½ annas per gallon. In the case of petrol, both the excise duty and the import duty were fixed in 1925 at 4 annas per gallon, so that no protection exists at all to-day. We consider that the shareholders of the Assam Oil Company who have for some years received no return on their investment, have a right to expect that, at least, they should not in future receive less protection from foreign competition than they received in former days.

APPENDIX.

The Assam area was first affected by the reduction in selling prices during the week ending 22nd October 1927. The average return for kerosene *ex* Digboi for the six previous weeks was Rs. 4-11-1 per unit.

The following were the returns realized from the week ending 22nd October 1927 to the week ending 31st March 1928:—

	Rs.	A.	P.
22nd October 1927	3	15	0
29th October 1927	3	15	6
5th November 1927	3	12	2
12th November 1927	3	12	10
19th November 1927	3	13	11
26th November 1927	3	11	8
3rd December 1927	3	14	5
10th December 1927	3	13	4
17th December 1927	3	14	3
24th December 1927	3	13	6
31st December 1927	3	15	3

	Rs.	A.	P.
7th January 1928	3	13	4
14th January 1928	3	13	4
21st January 1928	3	13	9
28th January 1928	3	15	8
4th February 1928	3	14	1
11th February 1928	3	12	5
18th February 1928	3	11	11
25th February 1928	3	11	7
3rd March 1928	3	13	10
10th March 1928	3	14	11
17th March 1928	3	14	9
24th March 1928	3	15	1
31st March 1928	3	13	0

The average return over this period was Rs. 3-13-8, representing a loss compared with pre-rate-war return of Rs. 0-13-5 per unit, and on the 238,043 units sold a total of Rs. 1,99,609. The return was lowest in the weak ending 25th February when it showed a reduction of Rs. 0-15-6 compared with pre-rate-war.

In addition to sales within what is known as the Assam area, 235,027 units have been despatched to Calcutta and Chittagong areas. We refer you to the Appendix to our separate representation which will give some indication as to how returns on these despatches have been affected by the rate-war.

The British Burmah Petroleum Co., Ltd., Rangoon.

(1) *Representation dated the 9th April 1928.*

We have the honour to address you as well on our own as on behalf of the Rangoon Oil Company, Limited, with which we are closely allied, in reference to the enquiry to be held by your Board in accordance with Resolution of the Government of India, dated Delhi the 25th March 1928.

2. We desire in the first place to emphasize the fact that we have no concern with the causes which have led up to the dispute between the Standard Oil Company of New York and the Royal-Dutch Shell group, nor had we any part in the initiation of the Kerosene rate war in which it culminated in September last, and which is still being carried on. We are, however, unwillingly involved in its disastrous results, which at the least are likely to lead in our case to very serious financial embarrassment in the near future unless some measure of relief and/or protection is afforded.

3. Before proceeding to give some figures to illustrate the extent of the financial loss which we are incurring and are likely to incur on the basis of the present market prices for Kerosene, it would be well here to explain that under an agreement with the Burmah Oil Company, Limited, all our production of Kerosene and Petrol is marketed by that Company, to whom it is delivered in bulk at our Refinery. By the terms of this agreement we are indirect participators only in the Kerosene pooling arrangement, having no voice in nor direct knowledge of the basis on which the contributing prices are fixed from time to time. These contributing (*ex* main ocean installation) prices are notified to us for each successive six monthly period, and our Kerosene is accounted for at those prices less pre main *ex* installation charges and commission.

4. We are not therefore in a position to say whether, or to what extent, these prices are based on world market values nor, consequently, are we able to judge in the particular instance cited in the letter from the Department of Commerce forwarding a copy of the Resolution, whether the price of

Rs. 5-12-0 per unit quoted for Superior Kerosene at the opening of the dispute, was above or below world parity at Indian ports. In fact, consideration of world market prices does not come within the scope of our agreement with the Burmah Oil Company, Limited, and only now arises, so far as we are concerned, because it necessarily forms an important part of the enquiry. For the purpose, however, of any comparison in this direction, we will take the figure of Rs. 4-10-3 (quoted in the letter referred to) as being the approximate equivalent of world parity at Indian ports.

5. For the period of 1927 preceding the commencement of the rate war, the contributing prices which we received for our Kerosene other than our contribution to the specially low-priced volume, were Rs. 5-8-0 and Rs. 5-6-0 per unit for Superior and Inferior oil respectively, and the average of these two was approximately the figure of Rs. 5-7-1 quoted in paragraph 16 of the joint representation of the indigenous Oil Companies, dated London the 15th December 1927. We are informed that the corresponding average price for India and Chittagong for the period 1st January to 17th March 1928 was Rs. 3-3-5 per unit, a reduction of Rs. 2-3-8 on the average for the 9 months prior to the rate war, and Rs. 1-6-10 below the equivalent of world parity at Indian ports.

6. During our last financial year (ended 31st July) our Kerosene allocated for sale in India and Chittagong, other than contribution to the low-priced volume, was 1,597,546 units. Applying thereto the reduction in price of Rs. 2-3-8 referred to above, we should have incurred a loss of Rs. 35,61,196, or approximately £267,000. A reference to the audited accounts for that year, a copy of which we attach* hereto, will show you that this amount exceeds the balance on Revenue Account alone by some £6,000. Other sundry credits shown in the Profit and Loss Account amounted to £34,699-8-4, so that the net credits, excluding the balance brought forward from the previous year, were approximately £28,000. Turning to the debit side of the Profit and Loss Account it will be seen that Sundry Charges, Debenture Interest and Depreciation amounted to £155,185-1-4, to which has to be added £67,000 for Debenture Sinking Fund, in all £222,000. It is thus clear that, had the present conditions of the Indian Kerosene market existed during the year in question, instead of the moderate profit which enabled us to pay a small dividend of 4½ pence per share we should have incurred a loss on the year's working of approximately £194,000.

7. On the same quantity, and applying the difference of Rs. 1-6-10 per unit between present average price and world parity equivalent, the loss in revenue amounts to Rs. 22,79,831 or approximately £171,000, and on this comparison our loss on the year's working would have been £98,000.

8. During the current financial year we estimate that our Kerosene supplies will amount to approximately 1,815,000 units. Assuming that 80 per cent., or say 1,450,000 units will be allocated for sale in India and Chittagong (other than our share in the low-priced volume), the drop in revenue in comparison with pre-war prices amounts to Rs. 32,32,000 or £242,000, and in comparison with world parity equivalent Rs. 20,69,000 or £155,000. We ought to say here, however, that we are advised by the Burmah Oil Company, Limited, that actually our Kerosene supplies up to the 31st December 1927 will be accounted for on the basis of the contributing prices fixed for the half year ended on that date, so that only the last seven months of the financial year will be affected. Even so, however, we estimate that this period will sustain a loss on sales of £20,000 per month in comparison with pre-war returns.

9. Sufficient indication has been given in the foregoing that under present conditions the Company cannot hope to carry on its operations except at a heavy loss, and it is obvious that the position will become still more acute in the event of the rate war extending to Petrol. Should the dispute between the rival factions be protracted, the point must speedily be reached when it will be impossible to continue.

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* Not printed.

10. In the meantime it has become essential to seek every possible avenue of economy and to eliminate all expenditure which has not a definitely productive prospect. On the Yenangyaung field, where the past intensive drilling has led to a gradual and continuing decline in production and where the results of drilling new and deepening of existing wells are extremely problematical, we have cut out all expenditure on development and must be content to concentrate on maintaining as far as possible the yield from wells already brought to production. On the Singu field development work continues, but on a reduced scale which we would not otherwise have found it necessary to adopt. Similarly, the present crisis does not justify expenditure which was contemplated in testing other areas granted under prospecting license or mining lease, and the Local Government has intimated that it is not intended to insist on fulfilment of obligations thereunder for the time being. At the Refinery also, process has been simplified as much as possible, and all expenditure on additions and improvements has been reduced to a minimum.

The compulsory curtailment of expenditure outlined is reflected in the fact that the combined labour employed at the Field and the Refinery is now 25 per cent. below the scale for the year preceding the rate war.

11. The financial strength of the powerful interests which are operating on either side of this commercial conflict is no doubt sufficiently great to enable them to continue it more or less indefinitely. The same cannot be said of the smaller and less wealthy interests which are forced to share in its consequences, and we appreciate Government's recognition of this fact shown by the indication given in the second paragraph of the Resolution that it may be possible to grant relief in a form which, to whatever extent it may benefit others, may make all the difference to those smaller operators who are definitely faced with immediate and serious embarrassment.

An application for relief in such a form was recently submitted by us through the Local Government and was supported by other Companies, when it was suggested that Excise Duty on the Kerosene and Petrol extracted from a limited production of 1,500 Barrels Crude per day might be remitted. We desire again to put forward this suggestion for the consideration of the Tariff Board. It is a measure which, so far from resulting in unnecessary inflation of the profits of any Company can mean but little to those operators whose production largely exceeds the daily figure mentioned, whilst it can only partially offset the losses of those whose production is below. In our own case, for instance, our present output of Kerosene and Petrol on a full throughput of the crude available is approximately 1,200,000 gallons and 200,000 gallons respectively per month, the duty on which amounts to Rs. 125,000 or £9,375, and it will be seen by reference to the last sentence of paragraph 8 that this amount falls very far short of the losses which we are incurring.

12. We would submit, therefore, that this form of relief in itself is inadequate to safeguard the existence of the smaller operators, nor does it afford indigenous producers any protection against dumping of foreign Kerosene and Petrol at uneconomic prices far in excess of any demand which they, the indigenous producers, may be unable to supply.

We therefore desire to associate ourselves with the Indo-Burma Petroleum Company, Limited, in the suggestion which we understand they are putting forward that this form of relief, if granted, may be made permanent and that, as a permanent protection, the existing duty on imported Kerosene and Petrol should be increased by 1 anna and 2½ annas per gallon respectively, thus restoring the differential between Import and Excise duty which formerly existed.

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(2) *Letter, dated 19th April 1928.*

We have the honour to ask you to refer to our letter No. B. 433, dated 9th April 1928 addressed to you in Calcutta, and to request permission to amend the same in certain particulars consequent upon indications since

received which make it necessary to revise some of the figures regarding average prices and quantities. The paragraphs of that letter which need amendment are Nos. 4 to 8 inclusive.

Paragraph 4.—In making use of the figure of Rs. 4-10-3 as the approximate equivalent of world parity at Indian ports, we overlooked the fact that this was a figure which had reference to Superior oil only. Allowing for the differential between Superior and Inferior, the corresponding average price for the latter would be Rs. 4-6-3, and from indications which we have received within the last few days, the average for the two combined in respect of the period 1st January/31st March 1928 is Rs. 4-7-11. This therefore is the figure which we now desire to adopt for purposes of comparison as being the approximate equivalent of world parity at Indian ports.

Paragraph 5.—The world parity equivalent of Rs. 4-7-11 just quoted being an overall figure comparable with the average of the total volume of indigenous sales in India, it is necessary to revise the original figures given in this paragraph by taking our own average for the total volume of sales for the period of 1927 preceding the commencement of the rate war. This average is Rs. 5-2-4 per unit, and the latest indication received from the B. O. C. shows that the corresponding average price for India and Chittagong for the period 1st January/31st March 1928 is Rs. 3-3-7 per unit, a reduction of Rs. 1-14-9 on the average for the period of 1927 preceding the rate war, and Rs. 1-4-4 below the equivalent of world parity at Indian ports.

Paragraph 6.—Again in this paragraph it is necessary to take our total volume of Kerosene allocated for sale in India and Chittagong during our last financial year, this being 1,841,140 units. Applying thereto the reduction in price of Rs. 1-14-9 referred to above, we should have incurred a loss of Rs. 35,38,441 or approximately £265,000. Following on with the comparison made in our original letter relative to the audited accounts for that year, the loss on the year's working is approximately £192,000.

Paragraph 7.—On the same quantity and applying the difference of Rs. 1-4-4 per unit between present average price and world parity equivalent, the loss in revenue amounts to Rs. 23,39,782 or approximately £175,000, and on this comparison our loss on the year's working would have been £102,000.

Paragraph 8.—Here also the comparison must be made on the basis of the total volume which we anticipate will be allocated for sale in India and Chittagong during the current financial year. Our most recent returns show that approximately 90 per cent. is so allocated, and 90 per cent. of 1,815,000 units is 1,633,500 units. On this quantity the drop in revenue in comparison with pre-war average price amounts to Rs. 31,39,000 or £235,000, and in comparison with world parity equivalent Rs. 20,75,000 or £155,000. With reference to the last part of our original writing under this paragraph, we would say that on the basis of these amended comparisons we still estimate that for the last 7 months of the current financial year, our loss on sales of Kerosene will be closed on £20,000 per month in comparison with average pre-war returns.

As you will observe, the foregoing amendments only slightly modify the results previously shown, but we desire to make them for the sake of accuracy.

The Indo-Burma Petroleum Co., Ltd.

(1) *Representation dated Rangoon, the 9th April 1928.*

We have the honour to address you in reference to the Resolution of the Government of India, Department of Commerce, dated New Delhi, the 26th March 1928.

2. On the 23rd September 1927 a kerosene rate cutting war commenced in Bombay whence it rapidly spread throughout the length and breadth of India proper and is still raging.

The disputants in this rate war are the Standard Oil Company of New York and the Royal Dutch Shell Group—both foreign concerns with no stake in India beyond securing an outlet there for surplus supplies of petroleum products.

3. The Indo-Burma Petroleum Company, Limited, which is an indigenous producing Company, has no concern with the cause of the dispute, indeed apart from information gleaned from the Press, we have no definite knowledge of the *casus belli*, nor of the viewpoint of the respective contestants nor the motive underlying their recourse to the extreme rate cutting tactics which were launched without the least consideration of the effect such were bound to have on indigenous petroleum interests.

On moral grounds, assuming the facts to be as publicly stated by the Royal Dutch Group, our sympathy would naturally be on their side, but we make no pretence to having such a full and accurate knowledge of the facts as would justify our expressing an opinion one way or the other were we asked to do so. We claim, however, to be within our unquestionable right in giving clear and unequivocal expression of the strongest resentment against both the Standard Oil Company of New York and the Royal Dutch Shell Group for involving us, together with the other indigenous oil producers of India and Burma, in the crippling consequences of their own private disagreement. There are other markets in which these two groups alone operate and where no indigenous oil producing industry exists, and surely if the extreme resort to cut-throat tactics was a *sine qua non* to a settlement of the differences that existed between them they should have selected those markets to provide the arena. The fact of having chosen India, however, where, as both groups must be fully aware, the very existence of the indigenous industry which is of immense value to India and in the wider aspect to the British Empire, was certain to be jeopardised, might excusably provide grounds for "the man in the street" for suspecting an ulterior motive in the choice.

4. The effect of the rate cutting war on selling prices in India can best be shown by noting, in tabular form, average selling rates in the Bombay sphere.

Rate for Superior Kerosene was Rs. 5-12-0 per unit of 8 Imperial gallons bulk *ex* main ocean installation on 22nd September 1927. Since 23rd September 1927 rates have been reduced to—

Bombay.

	Rs.	A.	P.
September	4	8	0
October	4	4	0
November	3	14	0
December	3	7	0
January	3	5	0
February	3	10	4
March	3	14	6

Rate for Inferior Kerosene was Rs. 4-6-0 per unit of 8 Imperial gallons bulk *ex* main ocean installation on 22nd September 1927. Since 23rd September 1927 rates have been reduced to—

	Rs.	A.	P.
September	3	2	0
October	2	14	0
November	2	11	0
December	2	6	0
January	2	4	0
February	2	4	7
March	2	9	0

In Bengal the "cuts" were not so striking, and there, there was more uniformity in official rates and in the rebating that was carried on.

5. Under normal conditions kerosene selling rates in India are based on the parity of world prices, but are usually fixed at something below that parity. The Burmah Oil Company, Limited, fix the Indian selling prices and their method of doing so and the reason for Indian prices being usually lower than world parity have, we are aware, frequently been explained to Government. We do not propose therefore to presume to refer further to what is a subject for reference to the Burmah Oil Company, Limited, other than to say that one effect of this low price kerosene policy besides ensuring cheap kerosene to the Indian consumer, is to render the Indian market unattractive to foreign oil except under world over-production conditions.

World parity during the past six months has been so reduced by the burden of over-production in certain American Oilfields that, under normal conditions, rates for the superior grade would, we are advised, have been in the region of Rs. 4-10-3 per unit bulk *ex* main ocean installation and for the inferior grade, Rs. 4-6-3 per unit bulk *ex* main ocean installation.

6. As a proof of the reckless dumping methods of the contestants we hope to supplement this representation with a statement which we shall hand to you in Rangoon, showing comparative figures of the volume of kerosene sold in India for the periods October-March in the years 1926-27 and 1927-28.

7. The Indo-Burma Petroleum Company, Limited, is confined in its marketing operations for kerosene and petrol to India and Burma. The products of the Company cannot command any higher price than that at which the overwhelming volume of supplies is being offered. There was thus no escape for the Indo-Burma Petroleum Company, Limited, but to follow suit. The best that could be done was to restrict sales to the minimum, which was done, hoping the war would soon be over. The actual losses suffered by this Company on the sales made, as the direct result of the activities of the contesting groups, is calculated to total Rs. 5,04,489-0-0 up to 31st March. Assuming that rates would in any case have declined to the level of the depressed world parity, the actual war losses would be Rs. 3,13,367.

Had, however, sales of kerosene been made on the same scale as during the corresponding period in the previous year, our losses up to 31st March would have reached the large figure of, say, Rs. 7,22,460, or on the assumption of reduced Pool rates due to lower world prices, the sum of Rs. 4,87,907.

These figures being the result of six months' war conditions, if doubled will indicate the loss we should have to bear over one full year on kerosene alone. Should the war extend to petrol, which is already being sold at a price which affords a very low return indeed, and on which the incidence of Government taxation is strikingly high, the position would at once become impossible.

We refer you to the printed copy of our Balance Sheet for 1927 together with a reprint of our Chairman's speech at the Annual General Meeting of Shareholders held on 30th March 1928 both of which are enclosed. These show to what extent this Company could operate under such conditions.

8. From the outbreak of hostilities the future of this Company as well as that of the other indigenous producers was gravely endangered. It was obviously imperative that we curtailed all operations which did not promise immediate remuneration if we were to hold out for any considerable length of time or until the disputants, either of their own accord or under the influence of Government, decided to discontinue their warfare.

The Government of Burma at once appreciated the acute gravity of the position of the local Companies and granted a Moratorium with regard to our obligation to areas held in Burma under Prospecting Licenses.

Following our established policy of prosecuting an unremitting search for oil deposits in areas outside the known fields in Burma and India, which we have carried on throughout our career to the fullest extent our resources have permitted, and which to date has cost us 80 lakhs of rupees, we had a full programme in prospect and under preparation for the open season of 1927-28.

Included within the programme were—

(1) the progressive development of the distant Indaw Oilfield, in which heretofore we have expended approximately Rs. 25½ lakhs in excess of revenue during what might be termed the testing period of the area;

(2) (*a*) the completion of the ambitious Irrawaddy River reclamation scheme at Lanywa, which to date has cost us about 16 lakhs of rupees, and

(*b*) the drilling to test bores on the reclaimed area;

(3) the testing by drilling of an area in the North-West Frontier of India, which from its geographical position and natural physical difficulties, promised and has proved to be a very costly project;

(4) the testing by drilling of certain other areas in Burma, the details of which it is obviously not to the interests of the Company publicly to divulge. The Government of Burma, however, have first hand information of the areas we had down for attention and we are prepared to give further details in confidence to the Tariff Board if called for.

We continued development operations at Indaw although on a definitely limited programme but the work of restoration and reconstruction necessary after the unprecedented disaster in the previous year when roads, pipe-line, bungalows, godowns, workshops and derricks had been carried away by flooding following a cloud burst, could not be left unfinished. We had no option also but to complete the construction of the Lanywa River guide wall scheme for obvious physical reasons. Further in view of the position of our work on the test well in the North-West Frontier of India area and also the importance from a strategic point of view of any discovery of petroleum in that quarter we decided to continue operations there as long as possible. All arrangements, however, for testing other areas were immediately cancelled.

9. With (1) the continued decline in crude production from the Yenangyaung Oilfield, and (2) the cessation of testing operations elsewhere in India/Burma other than as specified, we venture to predict that the mineral wealth of the Indian Empire will be potentially less valuable, at least during the next few years, if not permanently, than it would have been had our operations under para. 8, and similar operations by our neighbours, been continued without interruption.

10. Similarly all works of improvement and/or replacement within our Refineries and within our Marketing Organisation in India and Burma have been released or not added to as contemplated. This will continue of course been suspended. Gradually as circumstances have permitted, labour has while the war lasts and after six months' uneconomical working the disbandment of labour will necessarily be more rapid than heretofore.

11. The Indo-Burma Petroleum Company, Limited's operations are now definitely not covered by earnings and it follows in the ordinary way of things that the former must govern the latter or in other words the gradual curtailment of operations must continue.

Up to date we have struggled to maintain a reasonable programme of development and improvement in our proved Oilfields, at Yenangyaung and Indaw, and at Lanywa and in the North-West Frontier area and at our Refinery at Seikkyi, but without any glimmer of relief so far appearing on our horizon, we are faced with the necessity for closing down all operations other than may be required to produce, refine and market the oil, which is

presently available from pumping wells. In any oil producing company such a policy would be suicidal. Oil wells decline rapidly and production can only be maintained by the drilling of new wells and proving new fields. It may be accepted therefore that without the drilling of new wells the oil industry in India/Burma will soon disappear.

Other indigenous concerns must be affected as we are, if in varying degree. It depends on the volume of the oil reserves, the capacity of the wells and the value of the areas held under development, how soon the exhaustion point is reached by individual companies.

12. The national importance of oil within the Indian Empire, political and strategic, calls for no elaboration at our hands at this writing except perhaps to say that in proportion to the degree of decline of the indigenous oil production India becomes more dependent on overseas and/or foreign resources for essential military requirements in peace and in war.

On economic grounds, however, we have this to say, that while the war between foreign interests has resulted in cheaper kerosene being available for the masses over the past six months, the same influences relieved of the controlling factor provided by indigenous oil could and indubitably would in the future recoup the losses now being temporarily borne. With no indigenous supplies to limit the trend of prices in any movement upward, what hope would there be for the people of India to obtain their kerosene supplies at a moderate price?

13. Having stated our case for protection from the outside danger and with it the case of India, for as we view the future the interests of the indigenous oil companies and of the well-being and prosperity of the people of India, are indissolubly united, we with all respectfulness venture to suggest measures of relief and protection which appear to us to be open to the Government of India to accord.

We take the view that, as the smaller Companies are proportionately the greatest sufferers and likely soonest to reach the stage of exhaustion, the first move should be towards their relief.

In conjunction with neighbouring Companies in Burma, we proposed to the Government of Burma and later to the Government of India that a modicum of assistance could be afforded to the smaller Companies by the Government of India remitting the excise duty on the kerosene and petrol produced from the first 1,500 barrels of daily crude production of each Company.

By a measure of the kind, it will be obvious that proportionately the smaller Companies benefit very much more than would their larger neighbours.

To the smaller Company with a daily crude production of not exceeding 1,500 barrels crude, there would be relief to the full extent of the duty, namely, 1 anna per gallon of kerosene (or 8 annas per unit of 8 Imperial gallons) and 4 annas per gallon of petrol.

To the Company with a crude production of 12,000 barrels daily, the relief would only amount to 1 anna per unit of 8 Imperial gallons kerosene and ½ anna per gallon of petrol on their maximum manufacture by distillation in their refinery.

We now suggest, however, for the serious consideration of the Tariff Board that this remission of excise duty which originally was suggested as a relief from the effects of the rate war only, be recommended as a permanent measure of assistance to the small indigenous producers to enable them to meet the pressure of uneconomic conditions which may result from periodic cycles of flood production in American Oilfields under boom conditions and where oil accumulations are encountered of immensely greater volume than hitherto have been found in India or Burma.

It will be clear that while on the average in established fields well costs approximately are the same to drill from surface to the oil horizons except of course that in Burma we have to bear the extra charges on imported

material and skilled labour, the incidence of the drilling cost on the oil produced depends entirely on the calibre of the well in barrels of production. The prolic producers of the Seminole and California fields must show a very small average drilling/producing cost per barrel compared with what our very small calibre wells make possible in Burma.

It seems pertinent at this juncture to call the attention of the Tariff Board to the incidence of Government royalty/duty borne by indigenous petroleum. Government royalty on crude and excise duties on the refined products aggregate an average of Rs. 3-8 to Rs. 4-4 per barrel of crude produced, depending on the gravity of the crude, to say nothing of the many other assessments in the shape of license fees, Income and Super-tax, etc.

This is a charge which should be borne in mind in any consideration of crude costs or selling prices of petroleum products in India. In striking comparison, we note published February prices paid for Texas Panhandle crude at the wells ranged from 60 cents to $1.26 per barrel on which thereafter, as far as we are aware, no further Government charges are liable.

If then Government takes the view that indigenous oil production is of national importance, the small producer operating at a heavy average cost should be protected against foreign "boom" or "distress" oil prices.

14. The foregoing suggestion provides for a measure of relief with palliative effect to the whole indigenous industry at this critical time and permanent support and encouragement to the smaller producer but it affords no real security to the indigenous industry from the flooding of the Indian markets with "distress" surplus supplies from time to time or from dumped supplies at the discretion of powerful foreign groups with a dispute to settle or some ulterior object to achieve. By Act No. XII of 1922 an Excise duty of 1 anna per gallon was imposed on kerosene which also was passed on to imported kerosene, thereby maintaining the protection enjoyed by indigenous kerosene at 1½ annas per Imperial gallon.

We suggest to the Tariff Board that the circumstances of to-day warrant the differential between the rate of import duty on foreign kerosene and the Excise duty on indigenous kerosene being increased to 2½ annas per Imperial gallon by adding 1 anna per Imperial gallon to the import duty.

15. Prior to February 1917 when the Excise duty of 6 annas per gallon on petrol was imposed on petrol, originally as a war measure, but never wholly removed, there had existed an import duty on foreign petrol of 2½ annas per gallon. When the new Excise duty became law, the import duty was increased by the extent of the Excise duty to which the indigenous product was assessed. The protective tariff of 2½ annas per gallon therefore remained.

In April 1925 (Act XIII of 1925), however, Government reduced the Excise duty on petrol from 6 annas to 4 annas per gallon and at the same time import duty on petrol was reduced by 4½ annas to the same rate as the Excise duty on indigenous petrol, namely, 4 annas per gallon. The protective tariff was therefore removed. The indigenous companies are still able to supply India with all the petrol she requires. The science of petroleum refining has so advanced in recent years and has been so applied in the refineries of the indigenous oil companies of India and Burma that we think a considerable number of years must yet elapse, whatever the development of road transport, before foreign supplies of petrol are required to supplement indigenous production.

So long then as India is able to obtain her full requirements of petrol at the parity of world prices, we submit it should be the policy of Government to protect the indigenous producers from the same uneconomic influences we have recited in respect of distress kerosene, etc.

Our suggestion to the Tariff Board is that the import duty on petrol be restored to 2½ annas per gallon.

16. We have put forward the foregoing suggestions primarily for our own interests as an established producing company which, we claim, has done well by India. We have spent our money and our energy in the prospecting for and development of the State mineral resources in very full measure. We have taken big risks in the search for oil and in the doing have paid heavily for it. We are ready and willing, however, to continue our progressive policy in the future provided we regain confidence in Government's attitude towards those who strove to develop the resources of India.

Our suggestions therefore should be reviewed from this wider viewpoint—India's well-being.

It is vitally necessary firstly to restore a full measure of public confidence in the intention of the Indian Government to protect and maintain its indigenous industries in the face of uneconomic competition, and secondly, to restore confidence in the security of capital necessary for development of the State's mineral resources. Both these elements which are essential to healthy development have been gravely undermined by the circumstances of the present rate cutting war which show that the indigenous oil industry is at the mercy of foreign interests and policy.

The seriousness of this state of affairs viewed from every standpoint, political, economic and strategic, cannot be too strongly stressed and we suggest further and finally that the Government of India take unto itself powers in reserve which could be used in emergency against any repetition of the present situation, for, had such been in existence on the 23rd September 1927, the present debacle in the Indian markets would not have occurred, and prices would merely have followed world parity.

Enclosure No. 1.

Reprinted from The Rangoon Times.

COMPANY MEETINGS.

Saturday, March 31st, 1928.

INDO-BURMA PETROLEUM CO., LTD.

ANNUAL GENERAL MEETING.

Effect of oil war on Burma Industry.

The Annual General Meeting of the Company was held in the Registered Office on Friday, the 30th March 1928, at 3 P.M.

After the Notice convening the Meeting had been read, Mr. W. T. Howison (the Chairman) who presided, said:—

Gentlemen,—The Directors' Report and Statement of Accounts have been in your hands for some days and with your permission I will take them as read.

You will observe that after writing off all expenditure other than that of a purely Capital nature, and providing for interest due on the Preference Share Capital at 31st December 1927, also for depreciation, etc., to the extent of Rs. 2¾ lakhs, and Income-tax amounting to Rs. 4,85,427-3-6, there is a surplus available of Rs. 9,87,132-1-7.

In the first nine months of the financial year our earnings had declined to some extent compared with 1926 due partly to smaller crude production from Yenangyaung, and partly to lower rates generally in India and Burma for petrol and other products consequent on the present world surplus of production but earnings were on the whole not unsatisfactory and in fact very much in line with what had been anticipated. In addition to the decline in revenue due to lower selling rates, the average volume of products passing through our Refineries and marketing organisations, reflected in a higher incidence of standing charges on the unit of product handled, thereby further reducing the return. At the time however, with the prospects in view and anticipated from our various outfield projects, our future was considered promising, and we were looking upon the lean period through which we were then passing as merely the precursor of better times. As you are aware, Gentlemen, it has always been the policy of this Company to adopt the most vigorous prospecting and development programme which our resources permitted, and our record in this respect is, I venture to say, remarkable for a concern of our size, which fact, we have reason to believe, is not unrecognised by the Burma Government. Our biggest individual ventures outside the known Yenangyaung Reserves have been made at Indaw and at Lanywa.

In the former field, as you know, we have spent many lakhs of rupees over the past 15 years in a systematic testing programme. The physical difficulties to be overcome in operating this field are enormous. Indaw is situated in the heart of a trackless jungle some 30 miles from the Chindwin River and 700 miles distant from Rangoon. In the autumn of 1926 unprecedented floods completely destroyed our roads, pipe-line, bungalow, godowns and many of our derricks, and the reconstruction operations are not yet complete. Our testing efforts however have at last proved a commercial Oilfield of no mean proportions and in Indaw you now have an asset of considerable value provided normal conditions return to Indian markets where perforce we have to sell the bulk of our refined products.

At Lanywa we are this season completing a very ambitious reclamation scheme in the bed of the Irrawaddy River which has cost us in round figures Rs. 16,00,000. If this reclaimed area proves oil-bearing, and I am glad to say we already have had some confirmation of our geological assumption in this respect, you will begin shortly, I hope, to reap the benefit of your venture and,—what we submit is doubtless appreciated by Government,—the proved mineral wealth of the Province will have been added to by the initiative, the energy and resources of this independent Oil Company.

And now, Gentlemen, I come to a very disturbing factor which has completely upset our calculations.

On the 23rd September last, as you are aware, two powerful marketing groups, with world-wide ramifications, in constitution both entirely foreign to India, while neither has ever risked a single rupee in the search for oil in India or Burma or in the development of the country's mineral resources, decided to test their strength one against the other and unfortunately for indigenous producers chose India as the battle ground. Kerosene rates were promptly brought down to a level below their cost to produce, refine and transport and foreign supplies were dumped on the market. Excitement raged throughout Indian markets but it was particularly unbridled in Bombay and Bengal in which spheres this state of affairs remains materially unaltered. Speculation in and hoarding of kerosene became and still are the order of the day. There is no stability anywhere and in many instances fortunes are doubtless being made by the middlemen who are thus enabled through unstable conditions to charge excessive prices to the ignorant consumers.

What chance had the Burma Companies under such conditions and especially what possible avenue of escape was open to this Company? Entirely independent of any association whatsoever with any other Oil Company,

without the means of diverting our products to other than our established Indian markets and with no interests elsewhere with which to recoup the losses being forced upon us in India, we have become the victims of unreasonable and unfair circumstances, with the indubitable result that the Indo-Burma Petroleum Company and indeed the entire indigenous petroleum industry of Burma and India is in great danger of being strangled to extinction.

Government Attitude.

You will naturally inquire, what has Government to say to all this? Is Government content to see indigenous concerns like ourselves that have done so much, and risked so much, for the mineral development of the country, wiped out of existence by foreign interests who have no real stake in India beyond a marketing outlet for their surplus products? Is the pioneer work which the indigenous Companies have done to add to the mineral wealth of India of no value in Government's esteem? As far as our Local Government is concerned, I have great satisfaction in stating that this is not so. The Government of Burma has evinced a very real appreciation of the injustice being dealt out to the indigenous petroleum industry and we are satisfied that everything possible within their power has been done to assist the Burma Companies in presenting their case in proper perspective to the Government of India.

The power, however, rests with the Government of India. This Company in conjunction with the other indigenous producers has memorialised the Government of India. We have further represented our claim for protection personally to the Commerce Member in New Delhi. We have indeed done everything possible to prove the justification for some form of protection and the loss that will undoubtedly result to India and Burma if the indigenous industry is throttled to extinction. We have demonstrated by actual figures the extreme urgency for relief. We have shown how, when indigenous concerns like ourselves go to the wall, India comes under the control of the world groups and the consequent danger that may be feared. Up to Monday last we had had no favourable response whatsoever to our representations but from the Press notices which appeared that evening we learned that a Tariff Board enquiry will be held. Doubtless you have all seen these references in the local papers and know as much as we do as to Government intentions.

What will result from this enquiry or when orders will be passed we are unable to say. We do know however that we can fully justify our claim for Government protection or relief. But already 6 months have elapsed since the rate-cutting "war" commenced and it would seem that many more may pass before we can expect relief from that quarter: it will depend on whether the recommendations of the Tariff Board are favourable to the indigenous Oil Companies and on how soon the Government of India will act on these.

The Rate War.

When the rate "war" started it became obvious that we must husband our resources and we set about curtailing unremunerative operations as much as possible. One entirely new area was to have been tested last cold season and arrangements were practically complete. We had to cancel all these however and nothing will or can be done while the rate war lasts or we continue to be unprotected. Another very important test in the North-West Frontier of India was allowed to proceed in view of the prime im portance of discovery of petroleum in that quarter. We have seriously considered shutting down there also however and may yet do so if no improvement in the outlook is promised.

It may interest you to know to what extent Government has been benefiting in annual revenue from the Burma Companies and what Govern

ment if it allows the Companies to become extinct would seem prepared to forego:—

	Rs.
Total amount of Income-tax and Super-tax paid by the Oil Companies in Burma in 1926 .	49,00,000
Total amount of Excise duty on kerosene and petrol	1,77,00,000
Total amount of Wharfage and River dues .	23,80,000
Total amount paid for License fees, royalties, Municipal taxes, etc.	37,00,000
Total amount paid for Tanker Light dues and Harbour dues	3,00,000
Customs duty	18,20,000

These figures reach the colossal combined total of Rs. 3,08,00,000.

The following figures will also be interesting as indicating, to some extent, the annual value of the petroleum industry as a whole to the Province of Burma other than Government payments:—

	Rs.
Freight payments to I. F. Co. and Burma Railways	33,00,000
Total value of stores purchased locally . .	44,40,000
Total wages paid to labour recruited locally .	2,02,00,000
Total number of Indian and Burmese employees	43,187

No Dividend.

And now, Gentlemen, you will appreciate, I think, why your Directors after the most careful consideration have deemed it wise to recommend that no dividend be paid for the year 1927. So long as the Standard Oil Company and the Royal Dutch Shell decide to carry on their dispute we shall continue to lose money. As I have already pointed out relief through the Tariff Board if ever it comes seems to be a long way off. Our only course seems to be to try to exist as long as possible in the hope that sooner or later, but I hope before it is too late, the rate cutting "war" will end. It would be extremely unwise to pay out, in dividends, the funds at our disposal, and much as we regret the step which we well appreciate must come as a severe blow to many of our shareholders, I feel confident you will agree as to the necessity for it.

The Indo-Burma Petroleum Co. is a rupee Company registered in Rangoon and a very considerable percentage of the capital is held in India and Burma, many of the shareholders being of very moderate means. It is they who will feel first the injustice now being meted out to the indigenous oil industry.

I have nothing further to say, Gentlemen, but if there are any questions you wish to put forward I shall do my best to answer them.

Mr. Zachariah Jamal: Is it not the case, Mr. Chairman, that if an import duty was put on foreign oil, the Asiatic Petroleum Company would also have to bear this on all foreign oil imported by them?

The Chairman: That is so. There would be no discrimination against Soviet oil or the Standard Oil Company. The duty would cover all foreign oil.

Mr. Moosa Husein: Why cannot Government tell the Asiatic and the Standard that they must fight out their private disputes elsewhere instead of jeopardising India's own oil industry? Surely it is the duty of Government

to protect the Indian industry and the Indian people from an outside danger of this sort.

The Chairman: I quite agree with your view. As a matter of fact I am very glad this question has been raised. Our representative put exactly the same question to the Commerce Member at the interview at Delhi and was given the reply that Government never "negotiated" with the parties concerned in a matter of this sort—Government merely acted.

Mr. Zachariah Jamal: Mr. Chairman, you propose paying no dividend for 1927 and in the circumstances I am in complete agreement with this, but what about 1928?

The Chairman: Of course, Mr. Jamal, it is quite impossible at the present time to forecast prospects of a dividend for 1928, but I can say this much, that if the war is over and other circumstances permit, the Directors would hope that the position generally will warrant the payment of a dividend in 1928.

Khan Bahadur Ahmed Chandoo: It seems to me, Mr. Chairman, that the foreign danger to which the indigenous oil industry in India has become exposed is a matter with which the Imperial Government should be concerned. Would it not be possible for our Company to represent the position to the Imperial Government?

The Chairman: I do not think I am divulging any secret when I tell you that representations were made to the India Office. However the Imperial Government took the view that the particular problem in India was one for the Government of India to deal with.

There being no further questions, I have now to propose that the Directors' Report, the Auditors' Report, the Balance Sheet and Profit and Loss Account for 1927 be approved, adopted and passed.

Mr. A. P. Baxter: I have pleasure in seconding the resolution.

The resolution was carried unanimously.

The Chairman: Consequent on the previous resolution it falls upon me to propose, which I now do, that in accordance with the recommendation of the Directors, no dividend be declared for the year 1927.

Mr. Zachariah Jamal: I beg to second the resolution.

The resolution was carried unanimously.

The Chairman: Two Directors, Khan Bahadur Ahmed Chandoo and Mr. Thomas Cormack, are due to retire from the Board at this time and I have pleasure in proposing that both be re-elected. I will call on Mr. Tait to second this resolution.

Mr. J. Tait: I have much pleasure in seconding the resolution.

The resolution was declared carried.

Messrs. Stuart Smith and Allan were re-appointed Auditors of the Company until the Annual Meeting in 1929.

The Chairman: Before closing this Meeting, Gentlemen, I am sure you will wish to put on record your appreciation of the efficient manner in which the Managing Agents and the staff generally but Mr. Tait in particular on whose shoulders the brunt of the burden has fallen, have carried out their duties under the very trying circumstances resulting from the oil war.

Khan Bahadur Ahmed Chandoo: Mr. Chairman, both as a Shareholder and as a Director I wish to be associated with your remarks. I have been in almost daily touch with the position over the war period and I can testify to the great amount of extra and difficult work involved and to the able manner in which the staff has dealt with it.

The proceedings terminated with a vote of thanks to the Chair.

Enclosure No. 2.

THE INDO-BURMA PETROLEUM CO., LTD.

(Registered under the Indian Companies Act, 1882.)

Directors:

WILLIAM THOMSON HOWISON, THOMAS CORMACK, KHAN BAHADUR AHMED CHANDOO.

Bankers:

THE NATIONAL BANK OF INDIA, LIMITED.

Legal Advisers:

LEACH AND CLARK.

Auditors:

STUART SMITH AND ALLAN.

Managing Agents:

STEEL BROTHERS & CO., LTD.

Office:

25, Merchant Street, Rangoon.

REPORT OF THE DIRECTORS.

To be presented at the Twentieth Annual Ordinary General Meeting of Shareholders to be held at 25, Merchant Street, Rangoon, on Friday, 30th March 1928, at 3 p.m.

We have pleasure in submitting the Balance Sheet and Profit and Loss Account for the year ending 31st December 1927.

After providing Rs. 2,50,000 for Depreciation and Rs. 25,000 as a provision against advances made to owners of well-sites leased at Yenangyaung and including Rs. 1,85,028-9-1 brought forward from the previous year the balance at the credit of Profit and Loss Account is Rs. 9,87,132-1-7.

The Kerosene Rate War between two non-indigenous distributing Companies which commenced in India on the 20th September 1927 and still continues, so seriously prejudices this Company's position that we find it advisable to adhere to the policy indicated in the Notice to Shareholders, dated 3rd January 1928, and we regret we are unable to recommend the payment of any dividend for the year 1927.

The Directors accordingly recommend that the balance at the credit of Profit and Loss Account be carried forward.

Further reference to this matter will be made at the Annual General Meeting.

In accordance with Article 95 Mr. Thomas Cormack and Khan Bahadur Ahmed Chandoo retire from the Board and, being eligible, offer themselves for re-election.

The Auditors of the Company, Messrs. Stuart Smith & Allan, retire at this Meeting and offer themselves for re-election.

W. T. HOWISON,
A. CHANDOO,
Directors.

25, MERCHANT STREET,
RANGOON:
23rd March 1928.

THE INDO-BURMA PETROLEUM COMPANY, LIMITED.

Balance Sheet as at 31st December 1927.

CAPITAL AND LIABILITIES.

	Rs. a. p.	Rs. a. p.
CAPITAL—		
ORDINARY SHARES—		
Authorised—		
250,000 Shares at Rs. 40 each .	100,00,000 0 0	
Issued and Subscribed— 171,545 Shares at Rs. 40 each paid up		68,61,800 0 0
PREFERENCE SHARES—		
Authorised 50,000 Shares of Rs. 100 each	50,00,000 0 0	
Issued 30,000 ,, ,, 100 each		30,00,000 0 0
DEPOSITS FROM SUB-AGENTS . .		8,47,351 0 0
SUNDRY CREDITORS—		
For Goods	3,54,135 13 6	
For Expenses	4,13,243 9 4	
Other Finance	28,53,149 9 3	36,20,529 0 1
PROFIT AND LOSS ACCOUNT—		
Balance as per last Balance Sheet .	14,71,616 1 1	
Less 1926 Dividends paid in 1927 .	12,86,587 8 0	
	1,85,028 9 1	

PROPERTY AND ASSETS.

	Rs. a. p.	Rs. a. p.
PROPERTIES, PLANT, OIL WELLS, LAND, BORING PLANT, ETC., INCLUDING OUTSIDE FIELDS WORKING AND PROSPECTING.		
Expended thereon to 31st December 1297 . . .	1,89,30,117 4 5	
Less Depreciation written off to date	1,51,39,406 14 4	37,90,710 6 1
REFINERIES AND BUILDINGS—		
Expended thereon to 31st December 1927 .	64,16,352 10 4	
Less Depreciation written off to date	52,04,136 15 8	12,12,215 10 8
TANKERS AND LAUNCHES—		
Expended thereon to 31st December 1927 . . .	8,99,939 9 11	
Less Depreciation written off to date . . .	7,45,034 4 4	1,54,905 5 7
INDIAN INSTALLATIONS—		
Expended thereon to 31st December 1927	20,58,477 0 4	
Less Depreciation written off to date	14,98,415 4 3	5,60,061 12 1
FURNITURE, CHATTELS AND LIVE-STOCK—		
Expended thereon to 31st December 1927	9,33,562 12 10	
Less Depreciation written off to date	8,07,746 6 11	1,25,816 5 11

Add Balance as per Profit and Loss Account	8,02,103 8 6	9,87,132 1 7
TOTAL . Rs.		1,53,16,812 1 8

STORES—		
Stock of same at cost	...	30,97,094 5 5
PRODUCTS—		
Rangoon and up-country at cost	13,73,932 14 8	
With Agents and on consignment *plus* charges thereon	13,62,547 14 0	27,36,480 12 8
SUNDRY DEBTORS—		
Including Advances and Deposits	...	23,21,188 6 7
SUNDRY CHARGES RECOVERABLE	...	41,090 13 5
INVESTMENT (AT COST)—		
33,333 shares of £1 each in the Hessford Development Syndicate, Limited	...	9,51,044 7 7
CASH—		
In Bank	2,54,117 8 0	
In hand	72,086 3 8	3,26,203 11 8
TOTAL . Rs.		1,53,16,812 1 8

Rangoon, 23rd March 1928.

We have audited the Balance Sheet of the Indo-Burma Petroleum Company, Limited, dated 31st December 1927, set forth above.

We have obtained all the information and explanations which we have required and subject to our Report of even date, in our opinion, the said Balance Sheet is drawn up in conformity with the law and exhibits a true and correct view of the state of the Company's affairs as at 31st December 1927 according to the best of our information, the explanations given to us, and as shown by the Books of the Company.

(Sd.) W. T. HOWISON } *Directors.*
,, A. CHANDOO }

(Sd.) STUART SMITH & ALLAN, C.A.,
Auditors.

THE INDO-BURMA PETROLEUM COMPANY, LIMITED.

Directors' Report and Statement of Accounts for the year ending 31st December 1927.

Notice is hereby given that the Twentieth Ordinary General Meeting of the Shareholders will be held at the Registered Office of the Company, No. 25, Merchant Street, Rangoon, on Friday, the 30th March 1928, at 3 P.M., for the purpose of receiving and considering the Profit and Loss Account, the Balance Sheet and the Directors' and Auditors' Reports, to pass the Accounts for the year 1927, and to appoint two Directors and the Auditors.

By order of the Board,

STEEL BROTHERS & CO., LTD.,

Managing Agents.

25, MERCHANT STREET,

RANGOON :

3rd March 1928.

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(2) *Letter dated Rangoon, the 20th April 1928.*

With reference to paragraph 6 of our representation, dated 9th April 1928, we have the honour to enclose a statement showing the volume of Kerosene Oil sold in India October 1927—February 1928, in comparison with sales during the corresponding period in 1926-27 to which we would invite your attention.

Enclosure.

Statement showing comparative total sales of Kerosene in India in the following spheres for the periods for each sphere as detailed.

Bombay 18th September 1926 to 26th February 1927 as compared with 18th September 1927 to 25th February 1928.

Calcutta 2nd October 1926 to 26th February 1927 as compared with 2nd October 1927 to 25th February 1928.

Madras 16th October 1926 to 26th February 1927 as compared with 16th October 1927 to 25th February 1928.

Karachi 16th October 1926 to 26th February 1927 as compared with 16th October 1927 to 25th February 1928.

Date.	The Burmah Oil Co., Ltd. The Asiatic Petroleum Co., Ltd	The Indo-Burma Petroleum Co., Ltd.	The Standard Oil Co., Ltd.	TOTAL
	Units.	Units.	Units.	Units.
1927-28 . . .	9,230,934	198,263	3,437,211	12,866,408
1926-27 . . .	7,294,130	297,470	2,942,112	10,533,712
	1,936,804	99,207	495,099	2,332,696

Figures show that 22·1 per cent. more Kerosene has been forced on markets than India normally would consume.

(3) *Letter dated 3rd May 1928.*

With reference to our representation dated 9th April 1928, as the last sentence of paragraph 15 may not convey our intention as clearly as it might do, we have the honour to suggest the sentence be altered to read as follows: —

"Our suggestion to the Tariff Board is that the protective import duty on petrol be restored to 2½ annas per gallon above the then current Excise duty."

The Attock Oil Co., Ltd.

Representation, dated Rawalpindi, the 6th April 1928.

Under terms of Government of India Notification No. 141-T. (39), dated 26th March 1928, we have the honour to place before your Board the reasons which prompted this Company to approach the Government of India in the matter of protection against the injury inflicted on the indigenous oil industry in general and this Company in particular by the dumping of Foreign oil into India at prices below world parity.

It is, we think, clear without going into details that we satisfy the first condition laid down by the Fiscal Commission.

Conditions 2 and 3 can be dealt with jointly and we propose to give reasons to show that this Company satisfies these two conditions as fully as it does the first.

We may say at once that, on the basis of average crude production obtained by this Company during the year ending 31st December 1926, applied to the reduced prices now being obtained for refined products, this Company could not have continued to operate.

In spite of the many disappointments this Company has experienced over its crude production it has persevered in the exploitation of the Field and for the first time in its history is reasonably confident in believing that deep sands have been proved which will give the sustained yield of crude necessary for the continued existence of the business.

With the increased crude supplies now being obtained from the deeper sands, at practically the same outlay in drilling, we are reasonably satisfied of our ability to hold our own with world competition if our present supplies of crude are maintained. But, it may be far otherwise if Russian or any other Foreign oil is dumped into India at increasingly lower prices and the scope of the importations extended to include Petrol and other products.

In such circumstances and possibly even at the present level of prices we cannot see that it would be at all possible for us to undertake the testing of reserve areas. We have, therefore, been constrained, in common with other indigenous producers, to apply for a moratorium of our obligations under the licenses held over such areas, and it will be thus seen that an immediate effect of present conditions is to put a stop to prospecting operations on new areas.

We think we satisfy all the terms of the Fiscal Commission in all respects.

Before dealing with the rate war in detail, and the results thereof, it will not be out of place to give a résumé of the operations of this Company.

The Attock Oil Company was formed in 1913 to exploit a discovery of Oil made at Khaur in the Punjab. It has an issued capital of £1,500,000 represented by cash put into the Company for the development of its undertakings in India. Our Refinery at Rawalpindi is capable of dealing with a throughput of some 1,600 barrels of crude per day, and was built in the expectation that the Field at Khaur could reasonably support such an installation.

We need not here recapitulate the vicissitudes the Company has met with, which are known both to Government and the public through its European and Indian Shareholders. Out of the 14 years of the Company's existence

only two have been productive of dividends to the shareholders, namely the years 1923 and 1924 with 6 per cent. and 10 per cent. (gross) respectively.

The rate cutting war which is still waging commenced on 1st September 1927 by an initial cut in prices of Rs. 1-4 per unit in Superior and Inferior Kerosene. Prices of certain other products had to be reduced in sympathy but, as our main loss of revenue is caused by the necessary reduction in Kerosene and, as we think these losses will be sufficient to show the straits in which this Company is placed as a result of the rate war, we propose to confine ourselves to this aspect of the case at this stage.

The reduction in Kerosene prices as a result of the rate war to 29th February 1928 has resulted in a loss of revenue to this Company of Rs. 2,88,328.

Again, comparing present world prices with those ruling in India during 1927, it is estimated that in a year's working this Company's Revenue will suffer to the extent of Rs. 3,66,086.

In the known circumstances of the production of oil in Russia and America there seems to be no assurances that the present low level of prices will not be reduced further so long as powerful corporations elect to dispose of oil in India at uneconomic prices.

An " Economic cost " in this case is not a consideration and as the supply available for export from the aforesaid countries appears to be illimitable there is little prospect of this price " war " terminating on economic grounds.

Without the strong intervention of Government it would appear to us that this " war " between Foreign interests in India must inevitably extend, involving the smaller Companies still more deeply in a conflict which can only mean their gradual extinction as effective indigenous producers.

On top of the rate cutting " war " the recent reductions in railway freight rates on Petrol and Kerosene will very seriously affect this Company. In utilizing railway surplus by conferring a boon, directly, to the public and, indirectly, to Kerosene and Petrol importing Companies the Government have apparently overlooked a small upcountry producing Company like The Attock Oil Company, Limited. We estimate that the concessions which this Company must grant to the public in the way of reduced prices, as a result of the recent Railway Budget freight reductions (without having any benefit whatsoever in the way of reduced freight), will mean a further reduction in this Company's revenue to the extent of approximately Rs. 6,25,000 per annum on present sales.

It seems to us to be rather an anomaly that we, the Attock Oil Company, Limited, should be the only oil Company operating in India which is called upon to bear a loss as a result of the reductions in freight rates and yet we are the only Oil Company which has apparently helped the Railways of India to reduce working costs.

We refer here to the supplies of Axle Oil to Railways.

This Company has been instrumental in effecting considerable economies to the principal railways by supplying them with Axle Oil at low prices. The price for this Oil has been reduced appreciably over the past few years and the current rates at which we are supplying the North Western, East Indian, Bombay, Baroda and Central India, and Great Indian Peninsula Railways are the lowest on record.

On the basis of 1922 prices, when we first commenced supplying the Indian Railways with Axle Oil, this year's contracts would have cost the Railways approximately Rs. 17,40,000 against Rs. 7,88,000 which will be the actual cost of Axle Oil over 1928-29 to Indian Railways being supplied by us.

We claim that the Attock Oil Company, Limited, has been instrumental in effecting a considerable proportion of this reduction.

In view of the suggestion put forward by Government in their Resolution No. 141-T (39), dated 26th March, to the effect that measures could be devised by which substantial relief could be given to those Companies most in need of it while at the same time a disproportionate share of the higher price paid by the consumer would not pass into the hands of the stronger firms and, while fully appreciating that all recommendations must come from the Tariff

Board, we would venture to suggest the following proposals for your consideration.

As a permanent measure of relief to small indigenous producers.—Exemption of Excise Duty on Kerosene and Petrol extracted from, up to a maximum of 1,500 barrels Crude Oil daily.

As a permanent protection against future dumping—

(*a*) Kerosene Import Duty to be Re. 0-2-6 per gallon higher than Excise Duty.

(*b*) Petrol Import Duty to be Re. 0-2-6 per gallon higher than Excise Duty.

These increases in Import Duties to be imposed in addition to the exemption of Kerosene and Petrol Excise Duty on daily Crude production up to 1,500 barrels.

It is, we think, generally agreed that the mineral resources of India are not yet fully developed and that it will be necessary to have the full confidence of the public before healthy development is possible. The Indian Oil industry is at the moment passing through what can only be termed as a most critical period and, if public confidence and security of capital for the development of the State's resources are to be restored, it will be necessary for Government to show that it is prepared to maintain its indigenous industries in the face of uneconomic competition. The foregoing elements, which are vitally necessary to healthy development, have been gravely undermined as a result of the present rate cutting "war" which shows clearly that the Indian oil industry is wholly dominated by Foreign interests.

In order to prevent a repetition of the present state of affairs we would respectfully suggest that Government take powers (to be used in an emergency) to prevent a repetition of the rate cutting that is now so seriously affecting the industry.

In the early years of the industry, Government, doubtless actuated by concern for the future, formulated certain Rules in their Mining Leases with the express intention of restricting the indigenous Petroleum industry to British ownership and control. Now that circumstances have arisen which were possibly foreseen when that policy was framed, it seems pertinent to enquire what applications those rules have to the present situation.

Under those Rules "ownership" *per se* may remain, but it is obvious that "control" of supplies of Kerosene in India is passing or will pass to Foreign interests.

If the principle of the "open door" to all comers is conceded either by design or by default, we respectfully submit that Government have in one important respect tied the hands of their indigenous producers in seeking the only logical escape from the difficulties created, *i.e.*, to effect a compromise with Foreign Companies by allowing them to acquire interests of their own in indigenous production.

Enclosures.

STATEMENT No. 1.

Superior Kerosene.

Karachi landed price per unit of 8 gallons superior bulk based on present day—

	Rs.	A.	P.
American prices	4	10	3
Add—			
Agreed freight Karachi to Rawalpindi	1	11	0
Post Base Charge	0	7	6
Karachi Sphere extra charge	0	1	0
	6	13	9
Rawalpindi present official selling rate	6	11	6

STATEMENT No. 2.

Statement showing monthly gross market petrol selling rates ruling at Rawalpindi from January 1922 to December 1927.

—	1922.	1923.	1924.	1925.	1926.	1927.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
January . .	2 8 0	2 6 0	2 0 0	1 15 0	1 15 6	1 12 6
February .	2 8 0	2 6 0	2 0 0	1 15 0	1 15 6	1 12 6
March . .	2 8 0	2 6 0	2 0 0	1 15 0	1 15 6	1 10 6
April . .	2 8 0	2 6 0	2 0 0	1 13 0	1 15 6	1 9 6
May . .	2 8 0	2 6 0	2 0 0	1 13 0	1 15 6	1 9 6
June . .	2 8 0	2 6 0	2 0 0	1 15 6	1 15 6	1 9 6
July . .	*2 8 0	2 6 0	2 0 0	1 15 6	1 15 6	1 9 6
August . .	2 6 0	2 6 0	1 14 0	1 15 6	1 15 6	1 9 6
September .	2 6 0	2 6 0	1 14 0	1 15 6	1 15 6	1 9 6
October . .	2 6 0	2 0 0	1 14 0	1 15 6	1 15 0	1 9 6
November .	2 6 0	2 0 0	1 14 0	1 15 6	1 14 0	1 9 6
December .	2 6 0	2 0 0	1 15 0	1 15 6	1 12 6	1 9 6

* Attock Oil Company commenced marketing petrol in July 1922.

STATEMENT No. 3.

Statement showing monthly gross market selling rates ruling at Rawalpindi for Superior Kerosene per 8 gallons bulk from January 1922 to December 1927.

—	1922.	1923.	1924.	1925.	1926.	1927.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
January . .	8 2 0	7 13 0	7 3 0	7 2 0	7 0 6	7 7 6
February .	8 2 0	7 12 0	7 3 0	7 2 0	7 0 6	7 7 6
March . .	*7 12 0	7 12 0	7 3 0	7 2 0	7 0 6	7 7 6
April . .	7 14 0	7 12 0	7 3 0	7 2 0	7 0 6	7 7 6
May . .	7 13 0	7 12 0	7 3 0	7 2 0	7 0 6	7 7 6
June . .	7 13 0	7 12 0	7 3 0	7 2 0	7 0 6	7 7 6
July . .	7 13 0	7 12 0	7 5 0	7 0 6	7 0 6	7 7 6
August . .	7 13 0	7 12 0	7 5 0	7 0 6	7 0 6	7 7 6
September .	7 13 0	7 3 0	7 5 0	7 0 6	7 0 6	7 7 6
October . .	7 13 0	7 3 0	7 4 0	7 0 6	7 3 6	6 11 6†
November .	7 13 0	7 3 0	7 4 0	7 0 6	7 3 6	6 11 6†
December .	7 13 0	7 3 0	7 4 0	7 0 6	7 7 6	6 11 6†

* Attock Oil Company commenced marketng kerosene in March 1922.

† NOTE.—Since commencement of Rate War extra rebates being given to dealers and actually selling at Rs. 6-6 per unit.

STATEMENT No. 4.

Statement showing monthly gross market selling rates ruling at Rawalpindi for Inferior Kerosene per 8 gallons bulk from January 1922 to December 1927.

——	1922.			1923.			1924.			1925.			1926.			1927		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
January . .	6	14	0	6	8	0	6	9	0	6	0	6	6	0	0	6	2	0
February .	6	14	0	6	6	6	6	9	0	6	0	6	6	0	0	6	2	0
March . .	*6	6	0	6	6	6	6	9	0	6	0	6	6	0	0	6	2	0
April . .	6	9	0	6	6	6	6	9	0	6	0	6	6	0	0	6	2	0
May . .	6	8	0	6	6	6	6	9	0	6	0	6	6	0	0	6	2	0
June . .	6	8	0	6	6	6	6	9	0	6	0	6	6	0	0	6	1	6
July . .	6	8	0	6	6	6	6	3	6	5	15	0	6	0	0	6	1	6
August . .	6	8	0	6	6	6	6	3	6	5	15	0	6	0	0	6	1	6
September .	6	8	0	6	6	6	6	3	6	5	15	0	6	0	0	6	1	6
October . .	6	8	0	6	9	0	6	3	6	5	15	0	6	0	0	6	1	6
November .	6	8	0	6	9	0	6	3	6	5	15	6	6	1	0	5	5	6
December .	6	8	0	6	9	0	6	2	6	6	0	0	6	2	0	5	5	6

* Attock Oil Company commenced marketing kerosene in March 1922.

STATEMENT No. 5.

(*1*) *Summary of ex-Rawalpindi Refinery Return per unit (Bulk) for Superior Kerosene for area supplied ex-Rawalpindi 1924-27.*

	Superior Ex-Refinery Return per unit.		
	Rs.	A.	P.
1924	6	1	10·10
1925	6	0	11·46
1926	6	4	0·51
January—September 1927	6	7	1·80
October—December 1927	5	4	5·84

(2) Statement showing ex-Rawalpindi Refinery Return per unit (Bulk) for Superior Kerosene for area supplied ex-Rawalpindi 1924.

Months.	Quantity. in units.	Ex-Refinery Proceeds. Rs.	A.	P.
January	40027¼	2,35,161	6	6
February	44382⅞	2,64,729	4	5
March	32840⅝	1,93,153	0	7
April	41989⅝	2,59,195	2	5
May	48778⅜	2,98,551	8	5
June	35843	2,19,532	5	5
July	43727⅝	2,70,538	14	5
August	40504¾	2,50,076	14	8
September	44156¾	2,77,388	15	4
October	41937¼	2,59,289	10	7
November	29170½	1,79,951	15	0
December	39537⅛	2,45,399	9	11
TOTAL	482895¾	29,52,968	11	8

Equivalent per unit = 6 1 10·10

(3) Statement showing ex-Rawalpindi Refinery Return per unit (Bulk) for Superior Kerosene for area supplied ex-Rawalpindi 1925.

Months.	Quantity in units.	Ex-Refinery Proceeds. Rs.		
January	22383	1,37,509	1	2
February	14498½	87,200	8	4
March	11754⅝	71,175	7	9
April	9459⅛	59,076	8	10
May	9325¾	58,079	14	7
June	5175	31,480	14	3
July	12388	76,096	11	9
August	11750¼	71,050	10	1
September	13675¾	84,104	8	0
October	21008¼	1,16,991	13	5
November	23649½	1,45,010	9	8
December	26528¼	1,62,633	12	6
TOTAL	181596	11,00,410	8	4

Equivalent per unit = 6 0 11·46

(4) *Statement showing ex-Rawalpindi Refinery Return per unit (Bulk) for Superior Kerosene for area supplied ex-Rawalpindi 1926.*

Months.	Quantity in units.	Ex-Refinery Proceeds. Rs.	A.	P.
January	18843⅞	1,15,781	7	8
February	16463	1,01,305	8	4
March	19738⅜	1,20,479	8	3
April	17004½	1,04,325	7	10
May	9153½	56,141	9	4
June	4903⅛	29,485	8	8
July	6211	37,750	15	7
August	7944½	48,588	1	0
September	15314	95,945	2	8
October	9202	62,056	4	3
November	12921¾	84,755	10	6
December	14699¾	96,279	7	7
TOTAL	152399⅜	9,52,894	11	8

Equivalent per unit = 6 4 0·51.

(5) *Statement showing ex-Rawalpindi Refinery Return per unit (Bulk) for Superior Kerosene for Area supplied ex-Rawalpindi from January—September 1927.*

Months.	Quantity in units.	Ex-Refinery Proceeds. Rs.	A.	P.
January	11794½	78,088	5	2
February	8505¼	55,116	3	3
March	11425⅝	75,037	9	5
April	9396	60,293	5	1
May	6267⅝	41,025	7	7
June	7794½	50,839	3	7
July	7565	49,068	2	7
August	11217⅜	73,375	6	3
September	15431¼	93,489	4	0
TOTAL	89397⅛	5,76,332	14	11

Equivalent per unit = 6 7 1·80.

(6) Statement showing ex-Rawalpindi Refinery Return per unit (Bulk) for Superior Kerosene for Area supplied ex-Rawalpindi from October—December 1927.

Months.	Quantity in units.	Ex-Refinery Proceeds. Rs.	A.	P.
October	25639⅝	1,40,552	13	10
November	22714½	1,16,918	4	6
December	21798⅛	1,12,961	3	3
TOTAL	70152¼	3,70,432	5	7

Equivalent per unit = 5 4 5·84.

STATEMENT NO. 6.

(1) Summary of ex-Rawalpindi Refinery Return per unit (Bulk) for Inferior Kerosene for Area supplied ex-Rawalpindi 1924-27.

	Inferior, Ex-Refinery Return per unit. Rs.	A.	P.
1924	5	1	0·05
1925	4	14	11·54
1926	4	13	9·36
January—September 1927	4	14	4·70
October—December 1927	3	12	10·98

(2) Statement showing ex-Rawalpindi Refinery Return per unit (Bulk) for Inferior Kerosene for Area supplied ex-Rawalpindi 1924.

Months.	Quantity in units.	Ex-Refinery Proceeds. Rs.	A.	P.
January	8035¾	42,086	1	4
February	10515⅞	53,471	3	4
March	10417¾	51,333	5	8
April	8346⅛	42,452	4	9
May	12875½	65,518	1	10
June	12271⅜	61,641	15	8
July	12872⅝	65,160	12	11
August	14241½	71,954	10	9
September	14009⅝	71,059	11	3
October	10897½	55,521	3	9
November	11795½	59,899	13	7
December	15776¼	79,088	7	8
TOTAL	142055⅜	7,19,187	12	6

Equivalent per unit = 5 1 0·05.

(2) Statement showing ex-Rawalpindi Refinery Return per unit (Bulk) for Inferior Kerosene for Area supplied ex-Rawalpindi 1925.

Months.	Quantity in units.	Ex-Refinery Proceeds. Rs.	A.	P.
January	12389¼	62,199	15	0
February	5976½	28,734	6	5
March	3695¼	17,772	6	5
April	2666	12,971	14	10
May	2045	10,343	5	10
June	1222½	5,759	11	3
July	2070½	10,460	9	11
August	1227½	6,032	1	5
September	2425	12,295	0	3
October	3475½	17,396	4	2
November	3758	17,897	8	9
December	1897	9,595	9	1
TOTAL	42848	2,11,458	13	4

Equivalent per unit = 4 14 11·54.

(4) Statement showing ex-Rawalpindi Refinery Return per unit (Bulk) for Inferior Kerosene for Area supplied ex-Rawalpindi 1926.

Months.	Quantity in units.	Ex-Refinery Proceeds. Rs.	A.	P.
January	2342¼	11,525	8	7
February	5430	27,006	1	9
March	6241½	30,507	6	7
April	6497¼	31,207	3	9
May	2815	13,988	12	7
June	3693½	17,830	9	6
July	4022½	19,926	5	1
August	4590¾	22,366	8	11
September	7079½	34,682	8	5
October	6208	29,726	12	0
November	7929½	37,238	9	2
December	8704¼	42,669	0	6
TOTAL	65554	3,18,675	6	10

Equivalent per unit = 4 13 9·36

(5) *Statement showing ex-Rawalpindi Refinery Return per unit (Bulk) for Inferior Kerosene for Area supplied ex-Rawalpindi from January to September 1927.*

Months.	Quantity in units.	Ex-Refinery Proceeds. Rs.	A.	P.
January	6165	29,872	6	6
February	4284	21,065	6	3
March	5429¼	27,137	4	7
April	4939¼	24,709	15	8
May	2171	11,051	4	5
June	7499½	37,665	2	1
July	9633¾	49,051	12	7
August	11406	58,161	1	3
September	13491½	59,846	15	5
TOTAL	65019¼	3,18,561	4	9

Equivalent per unit = 4 14 4·70.

(6) *Statement showing ex-Rawalpindi Refinery Return per unit (Bulk) for Inferior Kerosene for Area supplied ex-Rawalpindi from October to December 1927.*

Months.	Quantity in units.	Ex-Refinery Proceeds. Rs.	A.	P.
October	21996¼	86,987	7	7
November	13537¾	49,465	10	10
December	12797½	47,553	0	0
TOTAL	48331½	1,84,006	2	5

Equivalent per unit = 3 12 10·98.

STATEMENT NO. 7.

Statement showing estimated losses on present sales of Superior and Inferior Kerosene based on 1927 prices as compared with present prices on the basis of world parity price of Rs. 4-10-3 per unit bulk ex-Ocean Installations.

	Superior. Rs.	A.	P.	Inferior. Rs.	A.	P.
1927. Ex-Refinery return per unit bulk	6	7	1·80	4	14	4·70
Present Ex-Refinery return per unit based on world parity price of Rs. 4-10-3 per unit bulk ex-Ocean Installations	5	6	8·84	3	15	1·98
Estimated loss per unit	1	0	4·96	0	15	2·72

∵ On present annual sales of :—

	Rs.	A.	P.
Superior 214370 units loss	=2,19,907	14	3
Inferior 153603 „ „	=1,46,178	13	8
TOTAL	=3,66,086	11	11

Statement No. 8.

Statement showing Reduction due to proposed new freights ex-stations supplied ex-Rawalpindi (petrol per gallon).

Stations.	Gallons despatched in January 1928.	Miles from Karachi.	Freight per Maund. Present.	Freight per Maund. New.	Freight per Gallon. Present.	Freight per Gallon. New.	Difference per gallon.	Amount.
			Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Rawalpindi (including Kashmir)	75,826	897	3 14 7	2 9 2	0 6 11	0 4 7	0 2 4	11,057 15 4
Abbottabad	7,088	941	4 1 7	2 10 7	0 7 3	0 4 9	0 2 6	1,107 8 0
Basal	1,000	856	3 11 8	2 7 10	0 6 8	0 4 5	0 2 3	140 10 0
Bannu	11,226	922	4 0 3	2 9 11	0 7 2	0 4 8	0 2 6	1,754 1 0
Bahauddin	800	785	3 6 10	2 5 7	0 6 1	0 4 2	0 1 11	95 13 4
Malakwal	200	769	3 5 8	2 5 1	0 6 0	0 4 1	0 1 11	23 15 4
Khushab	1,120	808	3 8 5	2 6 4	0 6 3	0 4 3	0 2 0	140 0 0
Injra	380	812	3 8 8	2 6 6	0 6 4	0 4 3	0 2 1	49 7 8
Gujrat	2,134	790	3 7 2	2 5 9	0 6 2	0 4 2	0 2 0	266 12 0
Lalamusa	1,540	802	3 8 0	2 6 2	0 6 3	0 4 3	0 2 0	192 8 0
Gujranwala	10,060	800	3 7 10	2 6 1	0 6 2	0 4 3	0 1 11	1,203 0 4
Jhelum	2,468	922	3 9 4	2 6 9	0 6 4	0 4 3	0 2 1	321 5 8
Chakwal	800	912	3 15 7	2 9 8	0 7 1	0 4 8	0 2 5	120 13 4
Kohat	7,816	878	3 13 3	2 8 7	0 6 10	0 4 6	0 2 4	1,139 13 4
Mardan	534	919	4 0 1	2 9 10	0 7 1	0 4 8	0 2 5	80 10 6
Durgai	534	945	4 1 10	2 10 8	0 7 4	0 4 9	0 2 7	86 3 6
Nowshera	2,700	904	3 15 0	2 9 5	0 7 0	0 4 7	0 2 5	407 13 0
Pabbi	900	916	3 15 10	2 9 9	0 7 1	0 4 8	0 2 5	135 15 0
Tank	3,404	912	3 15 7	2 9 8	0 7 1	0 4 8	0 2 5	514 2 4
Dhudial	40	899	3 14 8	2 9 3	0 7 0	0 4 7	0 2 5	6 0 8
Wazirabad	3,100	781	3 6 6	2 5 6	0 6 1	0 4 2	0 1 11	371 5 4
Gujarkhan	1,000	866	3 12 5	2 8 2	0 6 9	0 4 6	0 2 3	140 10 0
Campbellpur	140	876	3 13 1	2 8 6	0 6 9	0 4 6	0 2 3	19 11 0
Badamibag	57,268	758	3 4 11	2 4 9	0 5 11	0 4 1	0 1 10	6,561 15 4
Sialkote	14,561	808	3 8 5	2 6 4	0 6 3	0 4 3	0 2 0	1,820 2 0
Peshawar	29,579	930	4 0 10	2 10 2	0 7 2	0 4 8	0 2 6	4,621 11 6
Total	236,218	..	..	..	..	..	..	32,379 15 6
On above basis—January being an average month—estimated loss for 1928							..	3,88,559 10 0

Statement No. 9.

Superior.

Statement showing Reduction due to proposed new freights at stations supplied ex-Rawalpindi (Kerosene per unit).

Stations.	Despatched in January 1928 units.	Miles from Karachi.	Freight per Maund.		Freight per Unit.		Difference per unit.	Amount.
			Present.	New.	Present.	New.		
			Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Abbottabad	1198	941	2 0 11	1 2 8	1 12 10	1 0 4	0 12 6	935 15 0
Bannu	1254	922	2 0 3	1 2 6	1 12 3	1 0 2	0 12 1	947 0 6
Basal	100	856	1 14 0	1 2 0	1 10 3	0 15 9	0 10 6	65 10 0
Bahauddin	307	785	1 11 6	1 1 5	1 8 1	0 15 3	0 8 10	169 7 10
Bhaun	25½	918	2 0 2	1 2 6	1 12 2	1 0 2	0 12 0	19 2 0
Chawinda	100	824	1 12 10	1 1 8	1 9 3	0 15 5	0 9 10	61 7 4
Chakwal	279	912	1 15 11	1 2 5	1 11 11	1 0 1	0 11 10	206 5 6
Dhudial	125	899	1 15 6	1 2 4	1 11 7	1 0 0	0 11 7	90 7 11
Fatehjang	100	882	1 14 10	1 2 2	1 11 0	0 15 11	0 11 1	69 4 4
Gujarkhan	350	866	1 13 5	1 2 1	1 9 9	0 15 10	0 9 11	216 14 10
Gujrat	698	790	1 11 8	1 1 5	1 8 2	0 15 3	0 8 11	388 15 10
Haripur Hazara	354	923	2 0 3	1 2 6	1 12 3	1 0 2	0 12 1	267 5 6
Khushab	132	808	1 12 3	1 1 7	1 8 9	0 15 5	0 9 4	77 0 0
Lalamusa	125	802	1 12 1	1 1 6	1 8 7	0 15 4	0 9 3	72 4 3
Laki Marwat	150	840	1 13 5	1 1 10	1 9 9	0 15 7	0 10 2	95 5 0
Lawrencepur	55	883	1 14 11	1 2 2	1 11 1	0 15 11	0 11 2	38 6 2
Malakwal	150	801	1 12 0	1 1 6	1 8 6	0 15 4	0 9 2	85 15 0
Mari Indus	137½	790	1 11 8	1 1 5	1 8 2	0 15 3	0 8 11	76 10 1
Mianwali	308	761	1 10 8	1 1 2	1 7 4	0 15 0	0 8 4	160 6 8
Mustafabad	25	834	1 13 2	1 1 9	1 9 6	0 15 6	0 10 0	15 10 0
Narowal	454	808	1 12 3	1 1 7	1 8 9	0 15 5	0 9 4	264 13 4
Pasrur	125	829	1 13 0	1 1 9	1 9 4	0 15 6	0 9 10	76 13 2
Peshawar	3277¼	930	2 0 7	1 2 7	1 12 6	1 0 3	0 12 3	2,509 2 4
Pind Dadan Khan	187½	808	1 12 3	1 1 7	1 8 9	0 15 5	0 9 4	109 6 0

Rawalpindi	2488	897	1 15 5	1 2 4	1 11 6	1 0 0	0 11 6	1,788 4 0
Ranbirsinghpura	275	821	1 12 9	1 1 8	1 9 2	0 15 5	0 9 9	167 9 3
Sambrial	50	797	1 11 11	1 1 6	1 8 5	0 15 4	0 9 1	28 6 2
Sialkote	1512¼	808	1 12 3	1 1 7	1 8 9	0 15 5	0 9 4	882 2 4
Sayed Kasran	50½	894	1 15 3	1 2 3	1 11 4	1 0 0	0 11 4	35 12 4
Sihala	50	887	1 15 1	1 2 3	1 11 2	1 0 0	0 11 2	34 14 4
Tank	154	886	1 15 1	1 2 3	1 11 2	1 0 0	0 11 2	107 7 8
Taxila	50	904	1 15 8	1 2 4	1 11 8	1 0 0	0 11 8	36 7 4
Wazirabad	629½	781	1 11 4	1 1 4	1 7 11	0 15 2	0 8 9	344 4 2
Chakamru	100	828	1 13 0	1 1 9	1 9 4	0 15 6	0 9 10	61 7 4
Chabb	25	818	1 12 8	1 1 8	1 9 1	0 15 6	0 9 7	14 15 7
Jammu Tawi	600	832	1 13 1	1 1 9	1 9 5	0 15 6	0 9 11	371 14 0
Jhelum	375	822	1 12 9	1 1 8	1 9 2	0 15 6	0 9 8	226 9 0
Kohat	645⅝	878	1 14 9	1 2 2	1 10 11	0 15 11	0 11 0	443 13 11
Mankiala	87½	881	1 14 10	1 2 2	1 11 0	0 15 11	0 11 1	60 9 9
Mandra	25	873	1 14 7	1 2 1	1 10 9	0 15 10	0 10 11	17 0 11
Shakargarh	25	828	1 13 0	1 1 9	1 9 4	0 15 6	0 9 10	15 5 10
Taraki	25	850	1 13 9	1 1 11	1 10 0	0 15 8	0 10 4	16 2 4
Umedpur	25	828	1 13 0	1 1 9	1 9 4	0 15 6	0 9 10	15 5 10
Manzai	250	892	1 15 3	1 2 3	1 11 4	1 0 0	0 11 4	177 1 4
Nowshera	405	904	1 15 8	1 2 4	1 11 8	1 0 0	0 11 8	295 5 0
TOTAL	17864⅛	..	..	..	..	..	..	12,160 11 0
On above basis—January being an average month—estimated loss for 1928							..	1,45,928 4 0

Statement No. 10.

Inferior.

Statement showing Reduction due to proposed new freights at stations supplied ex-Rawalpindi (Kerosene per unit).

Stations.	Despatched in January 1928 units.	Miles from Karachi.	Freight per Maund.		Freight per Unit.		Difference per unit.	Amount.
			Present.	New.	Present.	New.		
			Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Abbottabad	204	941	2 0 11	1 2 8	1 12 10	1 0 4	0 12 6	159 10 0
Ambala City	1207¾	813	1 12 5	1 1 7	1 8 10	0 15 5	0 9 5	710 12 11
Akalgarh	137½	758	1 10 6	1 1 2	1 7 2	0 15 0	0 8 2	70 2 11
Bannu	175	922	2 0 3	1 2 6	1 12 3	1 0 2	0 12 1	132 2 7
Batala	160	795	1 11 10	1 1 6	1 8 4	0 15 4	0 9 0	90 0 0
Barara	150	828	1 12 11	1 1 8	1 9 4	0 15 5	0 9 11	92 15 6
Chawinda	37½	824	1 12 10	1 1 8	1 9 3	0 15 5	0 9 10	23 0 9
Darya Khan	150	700	1 8 6	1 0 8	1 5 5	0 14 7	0 6 10	64 1 0
Ferozepur	250	737	1 9 10	1 1 0	1 6 7	0 14 10	0 7 9	121 1 6
Gujarkhan	200	866	1 13 5	1 2 1	1 9 9	0 15 10	0 9 11	123 15 4
Gujrat	169	790	1 11 8	1 1 5	1 8 2	0 15 3	0 8 11	94 2 11
Haripur Hazara	104	923	2 0 3	1 2 6	1 12 3	1 0 2	0 12 1	78 8 8
Hoshiarpur	150	837	1 13 4	1 1 10	1 9 8	0 15 7	0 10 1	94 8 6
Jullundur	1073½	813	1 12 5	1 1 7	1 8 10	0 15 4	0 9 6	637 6 3
Jagadhri	150	844	1 13 6	1 1 10	1 9 10	0 15 7	0 10 3	96 1 6
Kasur	448	720	1 9 2	1 0 10	1 6 0	0 14 9	0 7 3	203 0 0
Khanna	154	824	1 12 10	1 1 8	1 9 3	0 15 5	0 9 10	94 10 4
Lalamusa	25	802	1 12 1	1 1 6	1 8 7	0 15 4	0 9 3	14 7 3
Lyallpur	300	686	1 8 0	1 0 5	1 5 0	0 14 4	0 6 8	125 0 0
Mari Indus	25	790	1 11 8	1 1 5	1 8 2	0 15 3	0 8 11	13 14 11
Mianwali	50	761	1 10 8	1 1 2	1 7 4	0 15 0	0 8 4	26 0 8
Mustafabad	125	834	1 13 2	1 1 9	1 9 6	0 15 6	0 10 0	78 2 0
Narowal	304	808	1 12 3	1 1 7	1 8 9	0 15 5	0 9 4	177 5 4
Nankana Sahib	137½	727	1 9 5	1 0 11	1 6 3	0 14 10	0 7 5	63 11 10

Nawa Shahr Doaba	788	845	1 13 7	1 1 11	1 9 11	0 15 8	0 10 3	504 13 0
Peshawar City	50	930	2 0 7	1 2 7	1 12 6	1 0 3	0 12 3	38 4 6
Pattoki ǀ	240	706	1 8 9	1 0 8	1 5 8	0 14 7	0 7 1	106 4 0
Rawalpindi	1515½	897	1 15 5	1 2 4	1 11 6	1 0 0	0 11 6	1,089 4 3
Ranbirsinghpura	75	821	1 12 9	1 1 8	1 9 2	0 15 5	0 9 9	45 11 3
Sargodha	165	722	1 9 3	1 0 10	1 6 1	0 14 9	0 7 4	75 10 0
Sambrial	75	797	1 11 11	1 1 6	1 8 5	0 15 4	0 9 1	42 9 3
Sialkote	165	808	1 12 3	1 1 7	1 8 9	0 15 5	0 9 4	96 4 0
Sirhind	483¾	813	1 12 5	1 1 7	1 8 10	0 15 5	0 9 5	284 11 4
Taxila	7½	904	1 15 8	1 2 4	1 11 8	1 0 0	0 11 8	5 7 6
Wazirabad	231	781	1 11 4	1 1 4	1 7 11	0 15 2	0 8 9	126 5 3
Warburton	294	736	1 9 9	1 1 0	1 6 6	0 14 10	0 7 8	140 14 0
Wah	30	897	1 15 5	1 2 4	1 11 6	1 0 0	0 11 6	21 12 0
Baddomalhi	75	828	1 13 0	1 1 9	1 9 4	0 15 6	0 9 10	46 1 6
Chhanga Manga	137½	714	1 9 0	1 0 9	1 5 10	0 14 8	0 7 2	61 9 7
Chakjhumra	154	707	1 8 9	1 0 9	1 5 8	0 14 8	0 7 0	67 6 0
Chakamru	100	828	1 13 1	1 1 9	1 9 4	0 15 6	0 9 10	61 7 6
Dinga	50	771	1 11 0	1 1 3	1 7 7	0 15 1	0 8 6	26 9 0
Doraha	150	826	1 12 11	1 1 9	1 9 4	0 15 6	0 9 10	92 3 0
Gujranwala	550⅞	800	1 12 0	1 1 6	1 8 6	0 15 4	0 9 2	315 9 8
Gurdaspur	294	816	1 12 7	1 1 8	1 9 0	0 15 5	0 9 7	176 1 6
Kohat	12½	878	1 14 9	1 2 2	1 10 11	0 15 11	0 11 0	8 8 6
Kundian	25	752	1 10 4	1 1 3	1 7 0	0 15 1	0 7 11	12 5 11
Kundian Khas	154	719	1 9 2	1 0 10	1 6 0	0 14 9	0 7 3	69 12 6
Lahore	550⅞	758	1 10 6	1 1 2	1 7 2	0 15 0	0 8 2	281 2 10
Ludhiana	150	813	1 12 5	1 1 7	1 8 10	0 15 5	0 9 5	88 4 6
Phillaur	150	813	1 12 5	1 1 7	1 8 10	0 15 5	0 9 5	88 4 6
Shah Jewana	165	678	1 7 9	1 0 5	1 4 9	0 14 4	0 6 5	66 2 9
Shakergarh	50	828	1 13 0	1 1 9	1 9 4	0 15 6	0 9 10	30 11 8
Umedpur	25	828	1 13 0	1 1 9	1 9 4	0 15 6	0 9 10	15 5 10
TOTAL	12800¼	..	..	..	..	..	..	7,470 7 7
On above basis—January being an average month—estimated loss for 1928 ..								89,645 11 0

STATEMENT NO. 11.

Summary of Statements showing (a) ex-Refinery return per unit bulk for Superior and Inferior Kerosene for the months of October to December 1927 based on pre-war rates and (b) Actual Refinery return per unit bulk for Superior and Inferior Kerosene for the months of October to December 1927.

Present Annual Sales :—

	Units.
Superior	2,14,370
Inferior	1,53,603

Loss *vide* Statement " A " less Statement " B "—

	Per unit. Rs.	A.	P.
Superior	1	3	3·60
Inferior	1	3	8·53

	Units.		Rs.	A.	P.
Superior	214370	=	2,58,583	13	0
Inferior	153603	=	1,89,227	11	2
			4,47,811	8	2

STATEMENT No. 11—*contd.*

"A" Analysis of Account sales showing ex-Refinery return based on pre-war rates for the months of October to December 1927.

SUPERIOR KEROSENE.

Months.	Sales in units.	Gross Proceeds.	Freight.	P. B. charges.	Extra charges.	Kashmir State Duty.
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
October '27	25639⅝	2,23,466 13 0	7,372 4 6	10,463 7 2	1,602 9 2	1,365 6 0
November '27	22714½	1,97,991 5 9	8,453 4 3	9,261 13 2	1,418 8 6	2,028 8 0
December '27	21798⅛	1,87,673 11 3	7,291 4 6	8,895 3 7	1,362 6 2	1,393 8 0
TOTAL .	70152¼	..	..	..	..	..

Months.	Loss on tins decanted to Bulk.	B. O. C. commn.	Cost of tins.	Total charges.	Nett Proceeds.	Average ex-Refinery return.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
October '27	25 8 0	8,538 9 10	26,347 8 0	55,715 4 8	1,67,751 8 4	6 8 8·20
November '27	18 14 0	7,477 15 9	23,360 10 0	52,019 9 8	1,45,971 12 1	6 6 9·86
December '27	99 12 9	7,213 3 11	20,088 2 0	46,343 8 11	1,41,330 2 4	6 7 8·85
TOTAL .	..	..	..	..	4,55,053 6 9	6 7 9·44

STATEMENT No. 11—*contd.*

"A" *Analysis of Account sales showing ex-Refinery return based on pre-war rates for the months of October to December 1927*—contd.

INFERIOR KEROSENE.

Months.	Sales in units.	Gross Proceeds.	Freight.	P. B. charges.	Extra charges.	Kashmir State Duty.
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
October '27	21996¼	1,62,590 11 10	10,800 11 6	8,976 1 2	1,374 12 3	804 6 0
November '27	13537¾	97,235 3 1	6,654 5 9	5,524 6 3	846 1 10	1,677 0 0
December '27	12797½	93,542 0 9	5,877 8 0	5,222 5 1	799 13 6	832 8 0
TOTAL .	48331½	..	..	..	..	..

Months.	Loss on tins decanted to Bulk.	B. O. C. commn.	Cost of tins.	Total charges.	Nett Proceeds.	Average ex-Refinery return.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
October '27	316 1 0	5,790 4 8	23,116 14 0	51,179 2 7	1,11,411 9 3	5 1 0·50
November '27	199 8 9	3,563 5 10	11,395 0 0	29,859 12 5	67,375 6 8	4 15 7·54
December '27	264 15 9	3,387 1 7	12,395 10 0	28,779 13 11	64,762 2 10	5 0 11·62
TOTAL .	..	..	..	..	2,43,549 2 9	5 0 7·52

STATEMENT No. 11—*contd.*

"B" Analysis of Account sales showing ex-Refinery return for the months of October to December 1927.

SUPERIOR KEROSENE.

Months.	Sales in units.	Gross Proceeds.	Freight.	P. B. charges.	Extra charges.	Kashmir State Duty.	Loss on tins decanted to bulk.
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
October '27 .	25639⅝	1,97,162 11 9	7,372 4 6	10,463 7 2	1,602 9 2	1,365 6 0	25 8 0
November '27 .	22714½	1,73,704 6 9	8,453 4 3	9,261 13 2	1,418 8 6	2,028 8 0	18 14 0
December '27 .	21798⅛	1,64,282 7 0	7,291 4 6	8,895 3 7	1,362 6 2	1,393 8 0	99 12 9
TOTAL .	70152¼	..	..	..	..	..	..

Months.	Special Rate War allowances.	Rebate to dealers on stock.	B. O. C. commn.	Cost of tins.	Total charges.	Nett Proceeds.	Ex-Refinery return per unit.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
October '27 .	..	2,176 4 6	7,256 14 7	26,347 8 0	56,609 13 11	1,40,552 13 10	5 7 8·52
November '27 .	3,757 1 8	2,201 6 6	6,286 0 2	23,360 10 0	56,786 2 3	1,16,918 4 6	5 2 4·28
December '27 .	4,605 4 2	1,492 2 9	6,093 7 10	20,088 2 0	51,321 3 9	1,12,961 3 3	5 2 10·98
TOTAL .	..	..	..	..	..	3,70,432 5 7	5 4 5·84

STATEMENT No. 11—*concld.*

"*B*" *Analysis of Account sales showing ex-Refinery return for the months of October to December 1927*—contd.

INFERIOR KEROSENE.

Months.	Sales in units.	Gross Proceeds.	Freight.	P. B. charges.	Extra charges.	Kashmir State Duty.	Loss on tins decanted to bulk.
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
October '27 .	21996¼	1,37,408 4 1	10,800 11 6	8,976 1 2	1,374 12 3	804 6 0	316 1 0
November '27 .	13537¾	81,419 8 4	6,654 5 9	5,524 6 3	846 1 10	1,677 0 0	199 8 9
December '27 .	12797½	77,830 14 3	5,877 8 0	5,222 5 1	799 13 6	832 8 0	264 15 9
TOTAL .	48331½	..	..	..	..	..	..

Months.	Special Rate War allowances.	Rebate to dealers on stock.	B. O. C. commn.	Cost of tins.	Total charges.	Nett Proceeds.	Ex-Refinery return per unit.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
October '27 .	..	392 8 0	4,639 6 7	23,116 14 0	50,420 12 6	86,987 7 7	3 15 3·30
November '27 .	622 11 3	2,285 15 0	2,748 12 8	11,395 0 0	31,953 13 6	49,465 10 10	3 10 5·54
December '27 .	1,277 10 6	971 1 0	2,636 6 5	12,395 10 0	30,277 14 3	47,553 0 0	3 11 5·43
TOTAL .	..	..	..	..	..	1,84,006 2 5	3 12 10·98

STATEMENT NO. 12.

Statement showing saving to Indian Railways on Attock Oil Company, Limited, Axle Oil supplies.

1922 Basis price of Rs. 14-8-0 per cwt.—

N. W. R.	1,650 tons.			
E. I. R.	3,300 ,,			
B., B. & C. I.	650 ,,			
G. I. P.	400 ,,			
		Rs.	A.	P.
	6,000 tons @ Rs. 14-8-0 per Cwt. =	17,40,000	0	0

On current prices—

N. W. R.	1,650 tons @ Rs. 7-4-0 per Cwt. =	2,39,250	0	0
E. I. R.	3,300 tons @ Rs. 6-0-0 per Cwt. =	3,96,000	0	0
B., B. & C. I.	650 tons @ Rs. 6-4-0 per Cwt. =	50,000	0	0
G. I. P.	400 tons @ Rs. 7-14-6 per Cwt. =	1,02,781	4	0
		7,88,031	4	0
∵ Saving to above Railways for one year on A. O. C., Ltd., Axle Oil supplies		=9,51,968	12	0

Hessford Development Syndicate, Limited, Rangoon.

Representation dated 9th April 1928.

In response to the notification, dated 26th March 1928 by the Government of India intimating that an immediate enquiry should be held by the Tariff Board as to the necessity of protecting indigenous oil producers against the "dumping" of imported kerosene we have the honour to submit this our representation.

2. The reasons leading up to the oil war which is raging in India to-day are too well known to need elaboration at our hands, and indeed the ordinary man in the street who has been following the newspaper accounts of it is probably as well versed in the subject as we are.

Suffice it to say that two of the world's most powerful groups, the Standard Oil Company of New York and the Royal Dutch Shell, both of foreign origin, having declared war against each other in India, we as solely a producing company, in common with other indigenous companies, are feeling the crippling effects of the ruthless cutting of prices that is, and has been going on since the 23rd September 1927.

3. It is necessary here to explain that all our crude oil production is sold in the raw to an Indian Marketing Company under an agreement which provides for an adjustment in the price to us according to the returns obtained by that Company from the relative refined products in India—in other words the agreement contains what is commonly known as a rise and fall clause.

4. Serious as the effects of the oil war must be to Companies that have been established in the oil industry for years, we submit that we are perhaps more hardly hit in comparison to our size than any other Company, insomuch as we only started to produce crude oil less than a year before the war broke out, and we had not succeeded in building up a nucleus of produc-

tion sufficient to make both ends meet in the event of a protracted period of low prices for our crude.

5. Since drilling was started in the month of May 1926 we have completed seven wells to production at Singu and are now engaged in deepening two wells to the lower oil horizons.

6. By the time these two wells are completed we will have exhausted the whole of the Company's paid up capital of £250,000 in testing our area at Singu, and if the rate war continues we are fairly certain further capital will not be forthcoming—public confidence in the security of the oil industry in this country has been seriously shaken, and we quite frankly admit that the whole of our last capital issue of £50,000 which fell due for allotment on 2nd February 1928, was not fully taken up *pro rata* by the shareholders on the register.

7. To meet the contingency we are confronted with, namely unremunerative prices for crude oil largely consequent on the rate war, and the lack of public confidence in the oil industry which we submit could have been restored months ago had the Government of India taken steps to protect the industry against the ill effects of a war in which we have no concern, we have been obliged to curtail our drilling programme or in other words to cut our coat according to our cloth, a process which involved the discharge of 450 employees, and it is only because we feel certain that the Government of India will eventually see the real necessity that exists for supporting the indigenous producers that has prevented us from shutting down drilling altogether.

8. Before proceeding to detail the steps we feel the Government of India should take to remove the hardships we are struggling against, and to restore public confidence in the oil industry as a whole, we would point out for the consideration of the Tariff Board that this Company is to-day fighting for its very existence, and unless the Government of India steps into the breach with a protective tariff or alternatively the rate war comes to an end either by amicable settlement, stale-mate or in the unlikely event of the exhaustion of either or both of the aforesaid foreign oil concerns, we shall perforce have to close down altogether at no distant date.

9. So far no dividends have been paid to the shareholders of this Company and the revenue derived from the sale of crude oil under the agreement previously referred to has gone back into development.

10. From the national standpoint we venture to suggest that the Government of India cannot in the nature of things be content to see indigenous Companies like ourselves going to the wall, as it must be patent that if the indigenous industry is allowed to decline, foreign kerosene will predominate with the result that the consumer will be at the mercy of foreigners.

11. As we are placed to-day our production scarcely covers the cost of pumping our wells *plus* administrative charges and coupled to this we are faced with a decline in production which is the natural effect of a curtailment in drilling programme—a decline which must inevitably set in and which can only be restored by drilling new wells and this we are unable to do in the face of present circumstances.

12. Now as regards the measures which we suggest the Government of India should take to protect the industry, on the reasoning that the smaller companies are proportionately the greater sufferers and are likely to go to the wall first, we recently subscribed to a joint memorial to the Government of Burma asking that assistance be afforded by the Government of India by remitting the excise duty on the kerosene and petrol produced from the first 1,500 barrels of crude produced daily by each Company, which would mean that a small producer having up to 1,500 barrels daily production, would enjoy full relief, *i.e.*, one anna per gallon of kerosene and 4 annas per gallon of petrol produced, and we beg to suggest that this remission of excise duty be recommended as a permanent measure to enable the smaller companies to compete against uneconomic conditions arising out of over production in parts of the world where crude oil can be produced very much cheaper than is possible in India.

13. We have also the honour to suggest that with a view to preventing the dumping of excess production from foreign countries the duty on imported kerosene be permanently increased by one anna.

14. We have further to suggest that the protective import duty on petrol of 2½ annas per gallon which was in being until the introduction of Act XIII of 1925 be restored.

15. Finally we have the honour to suggest that the Government of India takes unto itself powers in reserve which could be used as and when necessary to prevent a situation such as the present arising in the future.

Standard Oil Company of New York, Calcutta.

(1) *Representation dated 11th April 1928.*

The Government of India in Resolution 141-T (39), has requested your Board to conduct an inquiry with a view to safeguarding the interests of the Indian oil industry, and as any recommendation to alter the existing duties or excise on kerosene or petrol would be of vital interest to us, we beg leave to place before you our reasons as to why we do not consider that any increase in import duties on either of these products is justifiable.

Our general position in regard to the existing controversy in the oil world was made public by the Board of Directors of the Standard Oil Company of New York in an official statement published under date of 17th January, 1928 (Exhibit "A" attached). It is our purpose in this representation to add to this official statement and to explain our reasons for opposing any upward revision in duty rates.

To consider first the question of kerosene, we petition against any increase in duty because:

There is already a protection of Re. 0-1-6 per Imperial gallon or Re. 0-12-0 per unit in Import Duty over Excise.

India at the present time furnishes not more than 65 to 70 per cent. of India's requirements of kerosene and will undoubtedly provide less as time goes on if the decline in the total crude oil production, as indicated by the following Government figures, is any guide:—

	Imperial gallons produced.
In 1924	270,213,003
In 1925	262,828,930
In 1926	250,040,471
In 1927	245,367,563

In confirmation of India's inability to produce sufficient kerosene to meet the Indian demand we refer you to page 8 of an official statement issued by the Burma Oil Company (Exhibit "B" attached), in which this situation is positively defined in the following terms—"indigenous production of kerosene never was, and is not now either actually or potentially sufficient to meet the Indian demand for the product."

That India must have oil from foreign sources is further indicated by the importations of kerosene from foreign sources by the Burma-Shell pool during the last two years:—

	Imperial gallons
1926	15,670,680
1927	26,685,376

As India must have imported oil to meet its requirements, in what way are the interests of the ultimate consumer in this country affected by reason of the fact that this imported oil may come from America, Russia, Borneo, Sumatra or Persia? We are the first to recognize that indigenous oil has prior claim in its home markets and it has never been and is not now the policy

of this Company in any way to interfere with the normal disposition of such indigenous kerosene. However, there is an ever growing balance between this available production and the Indian demand which represents an open market to competition and it is for this balance that we compete without any suggestion of injury to the producers of Indian kerosene. The fact that we are now importing certain quantities of Russian oil does not presage a change in our established policy or constitute a menace to local producers but, as stated by the Board of Directors, is being done purely on economic grounds, Russia as a source of supply being some 5,000 miles nearer the Indian markets than the U. S. A.

Turning now to the question of more immediate interest to the Oil Companies in India, *i.e.*, the question of present price levels, and your consideration of their relation to world prices, we would place before you the facts as they pertain to our position in the market and will gladly welcome the fullest investigation on your part in determining the true causes of the present situation.

The impression which certain Oil Companies have attempted to create in their correspondence with the Government of India and through propaganda in the Press is that the Standard Oil Company of New York has imported cheap Russian oil, flooded the Indian markets with this product, brought prices down to a disastrous level and has, as a result, become a menace to the producer of Indian oil. Any such impression is entirely opposed to fact. The Board of Directors of this Company in their statement have truthfully and accurately declared on whom the responsibility rests for the recent very large reductions in market prices and this statement has not been refuted by the Royal Dutch-Burma Oil interests. Briefly, what transpired at the outset of price reductions was this:—

(*a*) Sir Henri Deterding first issued a statement that he would "fight to the last ditch" every effort of the Standard Oil Company to market Russian oil in India.

(*b*) On September 19th, 1927, his New York representative notified the head office of the Standard Oil Company of New York that the Royal Dutch interests would reduce prices if any Russian oil appeared in India.

(*c*) On September 23rd, following the arrival of the S.S. "Winamac" with a cargo of Russian oil at Bombay, the Royal Dutch interests and the Burma Oil Company reduced prices Rs. 1-4-0 per unit. This reduction was followed by us to hold our position in the market.

(*d*) On October 7th, following the arrival of the M. V. "Mittelmeer" at Calcutta with a cargo of Russian oil, reductions were made by the Royal Dutch and Burma Oil Companies and again we followed to hold our position.

(*e*) Following the reductions in these areas, similar reductions spread to the other two main divisions of the territory, *i.e.*, Karachi and Madras.

We state, emphatically and positively, that the responsibility for the present condition of the Indian oil industry rests directly upon the Royal Dutch Shell interests who, in conjunction with and aided by the Burma Oil Company, made a direct attack upon the price structure of this territory following upon the importation of Russian oil by the Standard Oil Company of New York. The primary responsibility rests with the Royal Dutch who were very much disturbed at our having closed a contract for Russian oil and adopted this form of retaliation, but the Burma Oil Company is equally responsible as they allowed themselves to be persuaded by the Royal Dutch to join them in their attack upon the Standard Oil Company of New York. Not only did these two Companies jointly initiate the original price reductions, but they have since then by further open cuts in prices, by secret rebates, and by bonuses to their agents, consistently kept their prices from

Re. 0-4-0 to Re. 0-14-0 per unit below those quoted by this Company in most of its markets.

The Burma Oil Company attempts to convince Government that it is one of the innocent victims of a quarrel between the Standard Oil Company of New York and the Royal Dutch over the Russian oil situation but in your consideration of this idea we call your special attention to the letter quoted below, being a copy of a circular letter sent out on October 17th by the Karachi office of Messrs. Shaw, Wallace & Co., then agents of the Burma Oil Co., to their agents when they instituted their initial price cuts:—

Burmah Oil Company, Limited, Sub-Agents.

KEROSENE RATES.

DEAR SIRS,

" We confirm our telegram of to-day's date instructing you to reduce your kerosene oil rates for all brands by one rupee four annas per unit immediately."

" We want you to realize that this drop in rates will be of no use either to you or to the Company if you do not sell and sell and sell. You must get your stocks out of your godowns into the hands of dealers and this must be done at once. We and the A. P. C. are out to take from the Standard Oil Company every unit of trade and we rely upon our sub-agents to give us all the support for which we ask. We repeat sales must be made now at once and dealers (especially S. O. C. dealers) must be stocked up to the greatest possible extent. Clear your stocks and wire for more. You will receive them from us immediately and we can assure you that in this time of crisis we shall provided you increase our sales take every precaution to see that you do not lose by doing so. We ask for your support and in return be sure that we shall support you."

" We realize that dealers may still refuse to take your stocks fearing or possibly anticipating further rate reductions and to assist you here you may give all dealers a definite guarantee that should rates be reduced further we shall make them an allowance on B. O. C. stocks in their hands which they purchased from you any time after receipt of this letter, (subject to our inspectors' recommendation)."

" Do not be afraid to go to outstations. Your reasonable travelling expenses will be paid to you and above all things we do not wish outstation dealers to be neglected at this time. Wire us your outstation orders without delay. If you find that dealers at outstations are worried because they have just purchased stocks at the old rates tell them that they need have no fear. The Company will consider all such claims and will make allowances accordingly where they are justified. Submit your claims at once by wire if necessary. You may also guarantee them similar considerations from us should rates be further reduced."

" Remember that the B.O.C. and A.P.C. are one and united against S.O.C. and no consideration must be allowed to stand in the way of your attack on S.O.C.'s trade."

" Either a B.O.C. or an A.P.C. inspector with full powers to act for both companies will be visiting you constantly and with this help you and the A.P.C. sub-agents must plan together to drive the S.O.C.'s agent from your station."

" Please acknowledge receipt."

Yours faithfully,

For the BURMAH OIL COMPANY, LIMITED.

Per pro. SHAW, WALLACE & Co.

Sd/-H. G. Cooper.

Agents.

You will observe the statement "the B.O.C. and the A.P.C. are one and united against S.O.C. and no consideration must be allowed to stand in the way of your attack on S.O.C.'s trade." Also that "We and the A.P.C. are out to take from the Standard Oil Company every unit of trade." We spbmit that there is very little of the "innocent victim" in the terms of these instructions to Burma Oil Company agents and we believe that this circular and others of a like nature which have passed through our hands are fairly clear evidence not only as to the responsibility of the original price reductions but also to the fact that the Burma Oil Company was equally involved with the Royal Dutch interests.

Again, as proof of the fact that these two Companies were working in harmony in an attack on the Standard Oil Company of New York not only by direct price cuts but by secret rebates as well, we quote a circular letter sent out from Bombay on 29th September by the Asiatic Petroleum Company (India) Limited to their agents as follows:—

Kerosene Oil Agent,

The Asiatic Petroleum Company (India) Limited,

Dear Sir,

"We are writing to you in continuation of our private Circular of the 21st September. We do not at present intend to make a further reduction in the selling rates, but to achieve our object of forcing large quantities of oil on S.O.C. dealers, we are willing to consider offers from you for sales of specified quantities at a small reduction below the official prices. This system will become effective immediately you receive this letter. It is understood that offers at slight reductions would only be accepted for quantities in excess of your normal sales as the object is to make dealers who normally buy S.O.C. oil, buy from the A.P.C. and B.O.C. instead."

"As it is very necessary that the method we are adopting and also the prices at which we accept offers should be kept entirely from the S.O.C., you must telegraph offers only in code. You already have a list of code words for prices, and we are very shortly sending you a code book which you must always use in telegraphing offers. Meanwhile, we attach a list of certain words, which will be included in the code book, which will enable you to start telegraphing offers at once. On no account must you send a telegram regarding offers in plain language. When offer has been made and accepted by us or a counter offer accepted by you, we will take the quantity as sold in our books just as we do when outstation consignments are despatched, so you need not include the sale in your daily sales wire. In order to confirm the transaction, and keep your stock figures right, however, you must shew each such sale in your daily reports."

"This system also applies to outstations and the price at which you will pay us for such outstation consignments is definitely the price at which the offer was made and accepted. Please bear in mind that this system must not be used in order to compete with the B.O.C. and I.B.P.C. to get trade from their dealers and for this reason no offers for inferior sales at a reduction will be considered. We are attacking the S.O.C. and the S.O.C. only."

"Please keep us in touch by telegram of the rates at which S.O.C. agents are selling at your agency, and if you can advise us of the S.O.C.'s sales, it will be of assistance to us."

"Please telegraph the word ONWARD to us at once to signify that you have received this letter."

Yours faithfully,

For The Asiatic Petroleum Company
(India), Limited.

Sd/- *Illegible.*

This letter shows clearly the method of attack determined upon by these two Companies, and further confirms the Burma Oil Company's participation

in the attack, as you will note that the secret rebates "must not be used in order to compete with the B.O.C. and I.B.P.C. to get trade from their dealers, etc.," and that "we are attacking the S.O.C. and the S.O.C. only."

We have emphasized these two particular incidents to show the Burma Oil Company's very real interest in the price cutting campaign but, as stated above, the primary responsibility for the present unsatisfactory condition of the oil industry rests upon the Royal Dutch interests. If, therefore, the Burma Oil Company now complains to Government of the ruinous prices in existence in India, why is it not possible to seek relief from the interests which inaugurated the price cutting campaign? The Royal Dutch, through spite over this Company's Russian oil contract, brought about this situation and they can correct it if they so choose.

We submit, therefore, that the present situation in India is caused, not by an attack by this Company on indigenous production, but by a deliberately planned and carefully executed policy of retaliation by the Royal Dutch interests supported by the Burma Oil Company. The Standard Oil Company of New York has been in business in India for 35 years, considerably before the Burma-Shell interests had attained anything like their present importance, and we repeat that it is not now and never has been the policy of this Company to attack or attempt to drive out indigenous production. Our records show that we have never secured more than approximately 27 per cent. of the trade available in India and there is no suggestion on our part that we are to-day attempting to improve this position by the importation of a "cheap" oil which will hurt the trade of local producers. As pointed out by the Board of Directors in their official statement, "at no time has this Company deliberately undercut the prices of its competitors or offered secret or other rebates to undermine the position of its competitors."

In further support of our contention that the present low level of prices is the result of an attempt to "take from the Standard Oil Company every unit of trade" we would like to place before your Board a record of certain of the prices quoted by the Burma Oil Company and Asiatic Petroleum Company to different Indian Railways against their "high grade" refined oil requirements. These prices, or many of them, are so unnecessarily low that the only conclusion to be drawn is that they were quoted with the idea of getting business away from the Standard Oil Company of New York "at any cost".

Against the requirements of the South Indian Railway, 310,400 Imp. Gallons, the Burma Oil Company, we have been informed from an authentic source, quoted a rate of Rs. 3-4-0 per unit (8 Imperial gallons) for their high grade kerosene oil in bulk. This rate represents a reduction of Rs. 3-0-0 per unit from their open rates ruling before the "rate war" and was Rs. 1-8-0 per unit below their open market rate in Madras on the day their tender went in. Our quotation for a similar grade of kerosene was Rs. 4-12-0 per unit or Rs. 1-8-0 above their quotation. How, with any degree of fairness, could they quote such an absurdly low price for a year's contract and at the same time be actively petitioning the Government of India for "protection" against low prices?

Other contract awards which further justify our contention that the Burma-Shell and associated interests were determined to disrupt and take business from us regardless of how low their quotations might be are quoted from the Indian Trade Journal as follows:—

On October 3rd, 1927, the Burma Oil Company quoted for 343,500 Imp. gallons to the B., B. and C. I. Railway their "Chukker" brand oil at Rs. 5-8-6 per 2 tins ex-Installation or Rs. 1-14-0 below their open rates in September. Our quotation for an oil of similar quality was Rs. 6-3-6 per 2 tins. Against the East Indian contract amounting to 70,000 cases or 560,000 gallons the Asiatic Petroleum Company and the Burma Oil Company quoted their "Rising Sun" and "Chukker" brands at Rs. 6-6-0 per case of 2 tins F. O. R. Budge Budge. Allowing say Re. 0-12-0 for the value of the

box, this makes their price in tins Rs. 5-10-0, or Rs. 1-13-6 below their open "pre-war" prices. We did not quote an equivalent oil against this contract. On January 9th the Asiatic Petroleum Company quoted the Bengal Nagpur Railway for 68,000 gallons their "Rising Sun" branch at Rs. 5-5-6 per 2 tins delivered or Rs. 2-2-0 below their open "pre-war" market rates. Our quotation to this railway was Rs. 6-2-0 per 2 tins. On February 1st the Asiatic Petroleum Company quoted the G. I. P. Railway "Rising Sun" brand at Rs. 6-14-0 per case F. O. R. Bombay and Rs. 7-10-0 per case prices. Against the Indian Stores Department's requirements (Tender No. H.-2362) the Burma Oil Company quoted their first quality "Waterlily" brand at Rs. 6-14-0 per case F. O. R. Bombay and Rs. 7-10-0 per case F. O. R. Budge Budge and Madras. Our quotation for our equivalent brand was Rs. 8-4-0 per case F. O. R. any main installation.

For your ready reference we attach copies of the Indian Trade Journal of the dates on which these prices were reported.

All of the contracts mentioned above run for the period of one year and we cannot but ask why, if appealing so strenuously for "protection," the Burma Oil Company, in conjunction with the Asiatic Petroleum Company, is willing to commit itself to supply the requirements of a year at such suicidal prices as are indicated above.

Having regard to the above facts we again repeat that we have not at any time during the present "price war" initiated any direct cut in prices and have only reduced our rates when it was absolutely necessary to do so to hold our position in the market against the direct cuts, private rebates or bonuses allowed by the other Companies; and were prices generally to be raised to-day to a remunerative level we would be the first to follow.

Our position in regard to petrol is this: Until recently Burma has been able to produce enough petrol not only to care for India's requirements but with a surplus sufficiently large to permit of certain quantities being exported to Europe. At the present time this condition no longer holds and in their own public statement (page 7 of Exhibit* "B") they say, "now petrol consumption in India has grown to such an extent that exports of that product beyond its shores have also, at least for the present, completely ceased". The Burma Oil Company is only just able at the moment to care for the Indian demand and it would appear that even this is accomplished with some difficulty and only by means of switching refinery runs of crude oil at the expense of their business in other products. The Burma Oil Company has a very large trade in batching oil in India which was formerly supplied entirely from Burma. A scrutiny of Government figures showing exports from Rangoon of this product may be of interest. These exportations were:—

	Barrels.
In 1924	100,445
In 1925	86,503
In 1926	40,227
In 1927	1,211

Why should these exports drop off to nothing unless it is that they have had to re-run their distillates to procure additional supplies of petrol? Again, we would point out the large increase in importations of fuel oil into Burma which we take to mean a conservation of locally produced crude oil.

	Barrels were imported
In 1925	283,357
In 1926	295,110
In 1927	413,737

On the one hand you have a decreasing production in Burma as against a rapidly increasing consumption in India, the possibilities of which have

* Pamphlet regarding Burmah Oil Company Limited issued by the Directors of the Company,—not printed.

not yet been touched, and it may safely be assumed that unless new local crude production can be secured, India, in the almost immediate future, will have to go afield if its full requirements for petrol are to be met.

That the Standard Oil Company of New York has never yet considered entering the petrol trade in India is due entirely to the fact that local producers could comfortably care for the Indian demand, and its present decision to eventually enter this field is not in any possible way an attack on indigenous production. We see that in the very near future India will have to call for certain quantities of foreign petrol and it is to be ready to meet this demand that our decision has been made. Preliminary plans have been drawn up but it will be a matter of years before we can in any way be considered an important factor in this market.

We are fully aware that our decision to eventually enter the petrol market is a source of annoyance to the Burma-Shell interests who now virtually control this market. In point of fact, the Royal Dutch requested our head office in New York to agree not to market any of this product in India. However, in view of the fact that the Royal Dutch Shell interests have no production of their own in India or Burma and that the Shell Union Company, a subsidiary of the Royal Dutch, is operating in the United States on a vast scale without any interference by the United States Government, this request by the Royal Dutch struck them as being somewhat peculiar.

With this information before you, we believe that the reasonable inference may be drawn that the present agitation for increased duty on imported petrol or a reduction in the excise on the indigenous product is not based on any sound economic ground.

You are to enquire as to whether the "price-war" will extend to petrol. We state emphatically that there is no sound reason why it should any more than there is any sound reason for the attack being made on our kerosene trade. We reiterate that we have no intention of attacking indigenous petrol and our present plans are only being developed in anticipation of a situation which we forsee is bound to occur.

We now turn to a discussion of the joint letter of December 15th, 1927, from the Burma Oil Company Limited and others of the companies interested in the production of oil in India. That letter is an annexure to the Resolution 141-T. (39), dated 26th March 1928, of the Government of India which has ordered this present inquiry. We have the following observations to make on that letter which we tender as part of our representations as to why the existing duty on kerosene and petrol imported into India should not be increased.

The signatory companies have in their letter associated themselves with the Royal Dutch Shell Group in its resentment at our purchase of oil from Russia. They have demonstrated the existence of that association by various expressions of sympathy for that Group, and by the act of unnecessarily, but admittedly, cutting their own selling prices in India as a means of clearly and definitely marking their disapproval of our action. They have adopted this self-destructive policy although not one of them, as far as we can determine, ever had a single square foot of an oil concession in Russia.

In the circumstances as these companies present them, and in view of their mutual relations with the Royal Dutch Group as they actually exist, we give it as our considered opinion that the demand they now make for an increased import duty on kerosene and petrol is absolutely unsound.

The statement is made in paragraph three of the joint letter that an increase in import duty on foreign oils would be "in the direction not of putting more money into our pockets" (meaning the pockets of the indigenous companies) "but merely thus of enforcing on foreign kerosene the continuance of 'pre-war' prices". It is quite unnecessary for us to comment upon the first part of this statement.

With regard to the second portion of it, however, Standard Oil Company of New York submits to the Tariff Board that it is absolutely unnecessary

for the Government of India " to increase the import duty on foreign kerosene as a whole " or in any part as a means " of enforcing on foreign kerosene the continuance of 'pre-war' prices ". Standard Oil Company of New York has been and is prepared at any moment to re-establish its kerosene prices on the exact level that existed throughout India on any date in 1927 prior to September 23rd, 1927, or on the basis of existing world market prices. This, with the proviso that the companies signatory to the joint letter, as well as the Burma-Shell Oil Storage and Distributing Company of India Limited, and the Royal Dutch Shell subsidiary, the Asiatic Petroleum Company (India) Limited will raise their selling prices on all grades of kerosene to the same level as ours, and with the same (or lower) differentials between grades that previously existed. This offer is made with the further proviso that those Companies maintain those prices by renouncing and permanently stopping their present system of increased selling commissions, rebates, bonuses, prizes, gifts of oil, overfilled packages, and all other forms of payments to agents, sub-agents, dealers and consumers which did not exist previous to the " war of rates " launched by those companies on September 23rd, 1927.

Standard Oil Company of New York has not adopted any part of such system of increased commissions, rebates, etc., all of which in practical application are merely price cuts under other names. Therefore there would be no difficulty for us in guaranteeing the maintenance of the " pre-war " prices or new levels based on world market prices and our retention of the present selling commissions paid by this Company, if similar control is exercised by the other companies.

The offer to restore our selling prices to the level existing just prior to September 23rd, 1927, or on new levels based on world market prices, on the conditions laid down, is made in good faith, and Standard Oil Company of New York submits it for the earnest consideration of the Tariff Board and the Government of India as the only satisfactory solution of the difficulties in which the indigenous producing and marketing companies now find themselves as a result of the self-destructive measures they adopted either in sympathy with, or in fear of, the Royal Dutch Shell Group.

In paragraph fourteen of the joint letter is a statement of how the Kerosene Pool arranges the prices of kerosene periodically. As this Pool has approximately 75 per cent. of the total trade, it is easily understood how they could and did control the prices, and how with only 25 per cent. of the total trade, it always has been compulsory for us to follow their prices up or down on superior grades. That is the condition in the present so called " price-war " where we have merely followed our competitors. We think that in the face of the admission of the power to fix prices periodically and the evidence of that power in their enjoyment of three quarters of the trade, competitors' pretence of attack by Standard Oil Company of New York in any form whatsoever is unworthy of serious consideration.

In connection with this power to fix prices being entirely in the hands of our competitors, and having regard to the complaint of low average returns on superior and inferior grades together since the commencement of their " price-war " against us, we invite attention to the fact that the present official differential between the grades in all markets is Rs. 1-6-0 per unit of 8 gallons. As we do not sell inferior oil, it is possible for these companies which do sell it to raise their selling prices on inferior kerosene and thereby improve their average realizations. We would point out that prior to 1912 the unit price of inferior oil was only 5 annas below that on superior oil, and that as late as October 1923 to April 1924, it was within 9 annas of the superior price. We submit that a remedy lies for the present situation in which these companies find themselves in raising their inferior kerosene prices nearer to those of superior grades.

Inasmuch as the Government of India has indicated in its Resolution 141-T. (39), that it will not be necessary in this inquiry to go into production costs, we assume without question that there will be likewise no necessity to go into our costs, and accordingly we have not made any preparation what-

soever for discussion of them beyond remarking upon figures appearing in the joint letter of the indigenous companies. We have nothing here in India that enables us either to substantiate or repudiate the figures as to prices paid by us as given in paragraph seven of the joint letter, and it really does not matter that this is so because our cost prices actually have nothing whatsoever to do with a question of an import duty in India as long as we are willing to sell at prices at which indigenous companies can profitably sell grades purporting to be equal to ours at so called world market prices.

With further reference to the discussion in paragraph seven of the joint letter about prices paid for oil purchased from Russia by Standard Oil Company of New York, we submit for your further consideration the proposition that the price we paid and the freight saved on the shorter carry from Batoum to India have absolutely no bearing whatsoever on the position in the Indian market of the indigenous companies or on that of the Royal Dutch subsidiary, the Asiatic Petroleum Company (India), Limited, as long as Standard Oil Company of New York sells the oil in India at prices level with those obtained on its supplies from the U. S. A. Standard Oil Company of New York fully intended to sell the oil purchased from Russia at the current market rates fixed by the Kerosene Pool and prevailing in India at the time of importation in September 1927; that we were not then able and have not since been able to do so has been clearly shown by us to have been due to the reductions in prices on indigenous kerosene initiated by the Kerosene Pool of the Asiatic Petroleum Company (India), Limited and the Burma Oil Company, Limited.

In paragraph eight of the joint letter there is the attempt to give the impression of something secret or mysterious about our plans for entry into the petrol business in India. There was nothing secret or confidential about those plans at the date the joint letter was written, because Standard Oil Company of New York had openly circularized their marketing staff regarding those plans on November 19th, 1927.

With reference to the suggestion in paragraph ten that the Indian petrol market offered no attraction to foreign importers heretofore because values here did not rule sufficiently above prices elsewhere, we submit that such was not the case in so far as Standard Oil Co. of New York was concerned, but that we were governed by the relation between indigenous supply and the local demand up to and including 1927, the former until very recently exceeding the latter. Aside from the expensive preliminary investment in plant and equipment necessary for our entry into the market, the local companies were in a position with their excess of supply over demand to reduce their prices to an unprofitable level for us. Now, those conditions have changed by reason of the decreasing indigenous production and the increasing local consumption to a point where we should ultimately be able to participate profitably, leaving the indigenous companies in the full enjoyment of all the trade their production can supply.

At this juncture we take the opportunity of repeating our emphatic denial that our coming entry into the petrol business in India is in any sense an attack upon the local industry as charged in paragraph ten of the joint letter. India has reached the point where she must have foreign petrol, just as she always has had to have foreign kerosene (see pages 8 and 12 Exhibit " B "), and our entry into the petrol business at this stage will be no more of an attack on the local petrol industry than our participation in the foreign kerosene requirements of India for the past 35 years has been an attack on the local kerosene industry.

In discussing the so-called maximum price policy on kerosene said to have been inaugurated in 1905 by the Burma Oil Company, Limited for " the poorer Indian consumers ", the indigenous companies take up several different positions, each inconsistent with the others. They pretend fear, and write of being " in extremis " and " mortal distress " at the mere prospect of Standard Oil Company of New York bringing in cheap oil for sale in India and demand Government protection against it. On the other hand

they stress the point that Standard Oil Company of New York has never contributed " either a gallon in kerosene or an anna in price " to the object claimed to have been successfully secured by the Burma Oil Company, Limited, intending thereby, as we see it, a condemnation of our failure to do the very thing of which the result would be, as they pretend, to place them " in extremis " and " mortal distress ". We submit for your consideration that the indigenous companies cannot have this thing both ways. They would have it that it is a great virtue for them to sell oil cheaply to " the poorer Indian people ", but the imagined prospect of our doing the same thing is sought to be painted as a very great offence, against which they demand Governmental protection. If it be a virtue for indigenous companies to sell inferior oil cheaply in India, why would it not be a similar virtue, and how would it be an offence, for Standard Oil Company of New York to import inferior oil for sale cheaply if it were found profitable to do so?

It is perhaps not out of place here to mention that one of the reasons why Standard Oil Company of New York never has " contributed a gallon of kerosene " to the objective of a maximum price policy in India possibly might be that the indigenous companies have always enjoyed a complete monopoly of Indian oil production by the exclusion of our Company by law from participation in it. We submit that with the enjoyment of such a monopoly the indigenous companies have alone had any obligation there may be to maintain any so-called maximum price policy.

It is noted that in paragraph eleven of the joint letter mention is made of a report from India that kerosene sub-agents of this Company were freely telling dealers that they would have inferior kerosene to dispose of in the beginning of 1928. This report has been connected with the alleged 60,000 ton contract between the Russians and ourselves. It seems almost incredible that indigenous companies should, in so serious a communication, attempt to bolster up their case to Government with mere bazar rumours that have been continuously in circulation for the 35 years of our direct experience in the oil business in India, to the effect always that we intended entering the market with inferior oil at some near date. These rumours, at the time at which indigenous companies wrote, had received fresh impetus from the newspaper propaganda of our competitors against our purchase of Russian oil—" Red " oil as they chose to call it. To the Indian kerosene agents and dealers, most of whom are unfamiliar with world politics, " Red " oil means only one thing, the inferior low grade kerosene sold in India.

The only competition indigenous companies have ever received from us in their low grade inferior kerosene trade has been in the recent disposal of very limited quantities in the Bombay area of high grade oil that has become discoloured on account of a combination of refining and climatic conditions. These are not infrequent conditions met with in our Indian trade, and in past years we have on several occasions sold entire cargoes of high grade kerosene, similarly discoloured, to the Burma Oil Company Limited.—Royal Dutch Shell Pool for disposal by them as low grade oil in competition against our own high grade trade. In the present instance, we have not received an offer from the Pool for this cargo which totalled only 150,000 units, and we have been obliged to dispose of part of it in the open market as low grade kerosene at low grade prices. It is unlikely that we shall dispose of more of it than necessary at the loss involved as we are developing means to restore the colour of these cargoes which become discoloured by climatic conditions.

In stating these facts and indicating the baselessness of the pretended fears by indigenous companies of our early entry into the Indian market for inferior kerosene, we do not in any sense commit ourselves not to enter it in the future should it become a purely business proposition for us to do so by reason of increased consumption of kerosene in India, and should world market conditions make it advisable. However, both are remote possibilities.

The Asiatic Petroleum Company (India), Limited, the Royal Dutch-Shell partner of the Burma Oil Company, Limited in the Pool, continuously imports low grade inferior kerosene from Borneo. Without going further back, we

give you their importations from Borneo in Imperial gallons for the past three years.

	Gallons.
1925	16,997,228
1926	9,874,168
1927	8,310,832

The relatively heavy importations of 1925 were in part the inferior low grade kerosene popularly known throughout India as "Red" kerosene.

The balance for 1925 and the principal portion of the imports from Borneo for 1926 and 1927 were of a low grade having the appearance of high grade oil, and known among the trade as "Borneo white oil" and "Borneo adulterant". We can offer a mass of oral evidence from each of our principal marketing divisions in India that this oil seems to be used principally by dealers and the trade generally in mixtures with high grade. As this oil is sold at prices from one to a few annas above ordinary low grade prices, the temptation to use it for mixing with high grade and the sale of such mixtures as a high gradé oil, is too strong for dealers to resist. The Pool has always received our very strongest representations against this importation being permitted to continue because of the methods used by the trade in selling it to consumers, but such representations have always been without avail. We are prepared to present any number of witnesses in Calcutta to prove that the effect of the sale of this low grade "Borneo white oil" is that which we have indicated.

In addition to these importations from Borneo, and having reference to paragraph eighteen of the joint letter about "distress conditions" of the oil trade in the U. S. A., the Asiatic Petroleum Company (India), Limited has recently imported into the Calcutta area the following low grade inferior consignments from California, U. S. A :—

	Gallons.
January 13th, 1928 by "Pleiodon"	2,071,832
January 19th, 1928 by "Phobus"	2,412,608

We submit for your consideration that if the Royal Dutch Group can bring in inferior low grade from Borneo and America, there is no good reason why there should ever arise any question whatever of our "dumping" Russian oil or distress oil from America. It would appear that the indigenous companies have brought out this bogey of "dumping" by Standard Oil Company of New York without any justification whatsoever, they themselves having first cut prices and initiated a system of rebates in India; they have brought out this bogey at a time when their partners the Royal Dutch Group might be said to have been actually "dumping" cheap American oil in India and selling it at current low grade rates. We repeat that we do not see how the question of "dumping" can possibly be said to arise in so far as we are concerned, as we have not at any time since the outset of the so-called price war deliberately reduced prices in any market beyond the open cuts made *plus* rebates given by the indigenous companies and their associates, the Asiatic Petroleum Company (India), Limited. We believe we are correct in laying down the proposition that the essential and basic features of "dumping" must be and are the selling at rates lower than those at which a competitor is selling and at prices below a competitor's cost of production. We believe we have conclusively proved that we have not done either of these two things. Neither can it be said that our volume of trade indicates any sign of "dumping," because we have actually lost in percentage of the total consumption in India since the so-called "price-war" began.

While discussing "dumping", we should like to bring to your notice a policy initiated two years ago by the Pool in the Karachi area. About the beginning of 1926 these competitors, jealous of the demand for our brands in that area and finding themselves unable to compete with equivalent grades despite the assistance we were giving with higher rates in the Attock field, began to attack our trade with an "improved" low grade kerosene. We

are informed that this improvement consisted of mixing as much as 90 per cent. of superior or high grade kerosene with 10 per cent. of ordinary low grade, and selling the mixture at low grade prices. We consider that this is a plain case of "dumping."

Another instance of similar character is the policy adopted in the Malabar Coast area by the Pool in "dumping" thousands of new empty tins at prices below cost in order to attack the sale of our Monkey brand kerosene oil in tins, the empty tins of that brand being popular with the Malabar cocoanut oil dealers and contributing through such popularity to the demand for the Monkey brand oil.

The example regarding the "improved" low grade in the Karachi area and the "dumping" of empty tins on the Malabar Coast, when taken in conjunction with a policy of marketing an inferior low grade Borneo white oil having the appearance of high grade, are recited to you as a measure of the quality of the competition which we have received from the Royal Dutch-Burma Oil Pool for many years. We wish to emphasize that this marketing of Borneo low grade white oil, the improved low grade attack, and the dumping of empty tins below cost were all going on long before there was any suggestion of a "price-war."

With reference to paragraph thirteen of the joint letter, we have already dealt in part with the suggestion by the indigenous companies that they took their present position in this "war of rates" because of sympathies with the Royal Dutch Shell Group in its dispute with us over Russian oil. We have suggested also, that if those companies are suffering in the present situation they should look to the Royal Dutch for relief, and not ask that we be penalized by a heavier import duty than we now pay because of price conditions in India brought about by the Royal Dutch and themselves working as a unit against the Standard Oil Company of New York. If the indigenous companies rate the quality of their sympathy with the Royal Dutch Group at so high a figure that by their action in showing it there arises the chance of some of them being "in extremis" or "mortal distress," it would seem reasonable for them to look elsewhere than to us or the people of India for relief.

Continuing our reference to paragraph thirteen, we point out that our policy has always recognized the first right of indigenous production to supply as much of the consumption of India as possible. As proof of this we refer you to our action in the Attock field, wherever since production commenced in an appreciable amount, we have always assisted the distribution of Attock kerosene in the localities adjacent to the fields by maintaining higher price levels on our oil, ranging from ten annas down to two annas per unit above Attock kerosene rates on equivalent grades, depending on the distance of the markets from Attock.

We also submit further proof of our recognition of claims of indigenous production to its home markets in our position in Burma, where we have never made a serious effort to sell more than a few thousand cases monthly of high grade oil to carry on a trade that demands our quality brands. The position to-day in the Burma market also confirms that the responsibility for the existing price situation throughout India proper is with the Royal Dutch principally and the indigenous companies as accessories. Prices in Burma have remained undisturbed although we are doing a very small percentage of the trade there and might have been disposed therefore to retaliate with price cuts on account of the action of these competitors in India proper.

While fully recognizing first claims of indigenous production to home markets, we cannot admit any superior geographical claims of the Royal Dutch Group to the surplus of India's consumption of kerosene or petrol over indigenous production. We are entitled to every gallon of that surplus that we can secure in fair competition with Royal Dutch or any other foreign competitor who may choose to enter the Indian market.

In effect, these companies are all partners in one single effort which is to injure Standard Oil Company of New York so as to let the Royal Dutch Shell

interests take away trade now enjoyed by this company. The effort of indigenous companies to shift their responsibility for the present state of affairs on to us, when these relations of each of them to the others are known, should not really be seriously considered. Such an effort is equally unsound with the request for more protection in the circumstances as they exist.

Realizing the relations of these companies to each other and recognizing the dominance of the Royal Dutch Group in this whole affair as being directed towards securing for itself trade we now have, we doubt if the proposals put forward for an increase in import duty on kerosene and petrol are really seriously means inasmuch as the Royal Dutch would be very likely to have to pay the same duty as ourselves. In our opinion the real desire concealed behind this demand for an increased protective import duty is in the reduction or elimination of existing excise taxes on indigenous kerosene and petrol. Our grounds for expecting a move in the direction of securing a reduced excise tax are found in the annual statement of one of the indigenous companies where the open suggestion was made for such reduction or the elimination of the excise.

We submit for consideration of the Tariff Board that any reduction in the excise tax on kerosene or petrol without a corresponding reduction in import duties would be unfair to us and fraught with serious danger to the ultimate welfare of kerosene and petrol consumers in India.

Our position as to your investigation into the price situation in India and the possible desirability of protection against the dumping of imported kerosene may be summarized as follows:

We contend that the present situation in India to-day has been brought about entirely by the Royal Dutch interests in retaliation for our having made successful negotiations for the purchase of certain quantities of Russian Oil (which they would have preferred to control themselves); and that they have, as a consequence, enlisted the support of the Burma Oil Company in an attempt not only to discredit our motives but, if possible, to drive us out of the Indian Market, thus leaving them, with their Burma Oil Company associates, in full possession not only of India's potential production but consumption as well.

In these circumstances, we submit that no useful purpose can be achieved by a study of the prices in India to-day as compared with price levels elsewhere, inasmuch as prices in India to-day must be regarded as not being based on any sound economic basis whatsoever but on a purely arbitrary basis of which the motive is to "take business away from the Standard Oil Company".

We further contend that in no sense of the word do our importations of Russian oil constitute a menace in being "dumped" on the Indian market. As pointed out before, our share of the trade in India is relatively small and we express it as our confirmed opinion that, so long as the Burma-Shell interests refuse to allow any dealer handling our oils to buy low grade oils from them (which they now do), this percentage cannot ever be more than fractionally improved, if at all. The strength of this policy of theirs will be realized when you are told that the low grade trade in India, against which we do not compete, represents approximately 50 per cent. of the total trade. Any increase in volume of trade which we may have will come as the result of increased consumption in India. If, therefore, we elect to supply a part of our small share of the trade with supplies drawn from Russia as opposed to the U. S. A., we cannot see wherein lies the menace to India, or wherein this is a matter for Tariff Board inquiry. We have stated it before but would like to emphasize it again that it is not the policy of this Company to interfere in any way with the normal distribution of indigenous oils in their home markets. Our concern is solely with the balance between the available supply and demand and, in all justice, it should be left to us to draw our supplies from the source we find to be the most economical.

In conclusion may we add that we are prepared to give your Board the fullest possible co-operation in your investigations into the oil situation in

India and if so desired by you, will gladly appear before you personally to answer any questions within our power.

Exhibit " A."

Statement by the Board of Directors.

Standard Oil Company of New York has until now refrained from making any public comment upon the attacks directed against it by Sir H. W. A. Deterding, Chairman of the Royal Dutch Shell Company, on account of the purchases of Russian oil. These have now assumed such a character, however, that it is considered by Standard Oil Company of New York that the public should have the facts.

Standard Oil Company of New York had made purchases of Russian oil in conjunction with several other Companies, including the Royal Dutch Shell interests, for several years prior to 1926. In that year, Sir H. W. A. Deterding came to the conclusion that his Companies would buy no more Russian oil. Standard Oil Company of New York was asked to refrain from further purchases, but saw no sound reason to comply with this suggestion.

The long distance between the United States and India makes the cost of transport of oil from this country to the Indian market a substantial item. If, therefore, Russian oil could be supplied to the Indian market at a fair price, there was an obvious economy in shipping such oil from Black Sea ports by saving at least 5,000 miles distance. As the Royal Dutch had large production in Roumania it was in position to be fairly independent of supply of Russian oil, whereas, unless Standard Oil Company of New York was assured of products on a favourable basis in its Southeastern European markets and Asia Minor it would be involved in heavy losses.

But before proceeding with additional purchases of Russian oil, Standard Oil Company of New York studied the situation in the light of American policy. On July 7th, 1920, Secretary of State Hughes announced that it would be proper for American business men, at their own risk, to trade with Russia. The formal announcement of the State Department read: " The restrictions which have heretofore stood in the way of trade and communication with Soviet Russia were to-day removed by action of the Department of State. Such of these restrictions, however, as pertained to the shipment of materials susceptible of immediate use for war purposes, will, for the present at least, be maintained ".

There was no other reservation in the statement. There was no suggestion by the State Department that trading with Russia was in any respect improper.

Contracts were accordingly made for the purchase of a substantial amount of Russian petroleum over a period of years; Standard Oil Company of New York consider these contracts to be upon a favourable basis.

It would appear that the views of Standard Oil Company of New York—*i.e.*, that the problem of buying and selling Russian oil is a purely business proposition—are not only in accord with American policy but are also supported by the policy of the British Government, whose political relations with the Soviet are the same as those of the United States.

The marketing of Russian petroleum in England is done by the Russian Oil Products Company, Limited, known to be a Soviet-owned institution. On August 26th, 1927, after the break between England and Russia, the British Government, (through the Home Office), issued a statement, the main part of which was as follows: " In view of certain inaccurate and misleading statements which have appeared in the press with reference to his decision requiring two of the Directors of Messrs. The Russian Oil Products to leave the country, the Home Secretary wishes to make it plain that his decision involves no new departure in the policy of His Majesty's Government. As has been stated frequently, the Government desires to place no obstacles in the way of trade between this country and Russia so long only as those

conducting the trade do not indulge in propaganda or conduct contrary to the interests of this country. It is not the policy of the Government to terminate the activities of any Soviet trading organization which is engaged in trade to the benefit of this country and is not otherwise harmful ".

Official figures indicate that while the importations of Russian gasoline into England for 1927 have fallen off as compared with 1926, the importations of kerosene oils were actually greater than for the preceding year. Indeed, in 1927 England imported twice as much Russian kerosene oil as in 1925. The actual figures as reported by the British Custcm House were as follows: Imports of Russian oil into the United Kingdom (expressed in Imperial gallons).

	Gallons.
Year 1925—	
Motor Spirits	33,485,014
Kerosine oil	15,771,605
Lubricating oil	4,588,733
Total	53,845,352
Year 1926—	
Motor Spirits	55,110,882
Kerosine oil	35,444,044
Lubricating oil	4,963,336
Total	95,518,262
January 1st, 1927 to December 7th, 1927—	
Motor Spirits	39,981,539
Kerosine oil	34,137,540
Lubricating oil	6,754,377
Total	80,873,456

Prior to the arrangement being made between Standard Oil Company of New York and the Russians, the Royal Dutch Shell Company had been seeking to obtain a monopoly for the sale of Russian petroleum products for a term of years, these negotiations having been carried on continuously from May to December 1926 inclusive. The Royal Dutch Shell Company had, indeed, actually purchased some 200,000 tons of Soviet Russian oil as far back as 1922.

Standard Oil Company of New York had subsequently participated with the Royal Dutch Shell Company in making additional purchases. When Sir H. W. A. Deterding decided to make no more such purchases, and found that it was the purpose of Standard Oil Company of New York to go forward with the contracts it had made with the Russians, he issued a statement announcing his purpose to fight to the last ditch every effort of Standard Oil Company of New York to market Russian oil in India.

That the considerations dictating the policy of the Royal Dutch Shell Company were of a purely business character rather than having to do with any other phase of the subject, is indicated by the fact that the Asiatic Petroleum Company, a subsidiary of the Royal Dutch Shell Company, imported the following quantities of Russian kerosine oil into India and Ceylon: during 1923 over 8,460,000 Imperial gallons, during 1924 over 10,690,000 Imperial gallons, during 1925 over 4,730,000 Imperial gallons. Up to the end of 1927 Standard Oil Company of New York had imported into India between 400,000 and 500,000 barrels, or 21,000,000 Imperial gallons.

On September 19th, 1927, the New York representative of the Asiatic Petroleum Company, which is the Royal Dutch Shell's subsidiary in India, handling also the products of the Burmah Oil Company, Limited, the Royal Dutch Shell Burma Pool, supplying about 70 per cent. of the oil used in India, notified Standard Oil Company of New York that the Royal Dutch Shell interests would reduce prices on superior oils, as soon as Russian oil arrived at Indian ports.

That there was no surplus of Indian-produced oil to justify price cuts such as these, is indicated in a pamphlet the Burma Oil Company, Limited, recently sent out—"with the compliments of the Directors" of the Company, in which it is said:—"Indigenous production of kerosine never was and is not now either potentially or actually sufficient to meet the Indian demand for the product".

No one familiar with conditions in India would seriously suggest that the importation of Russian oil or other foreign oils into India constitutes a menace to the Indian or Burma oil industry.

True to their promise, the Royal Dutch Shell interests, on the 23rd of September, initiated the threatened reductions in the Bombay territory. An additional cut was made the following day. And a few days later the price of all inferior grades of refined oil were reduced correspondingly. Shortly afterwards, the reduction was made to cover not merely the Bombay territory but Calcutta as well, and a few days later was made to take in the Madras and Karachi areas.

On the 4th of November the Royal Dutch Shell Agents in Bombay were authorized to allow a "secret rebate" on sales and on November 25th notified its agents that they would give an additional bonus for all increased deliveries of high grade oil over the corresponding period in 1926.

This kind of competition still continues. Cut prices in all cases were initiated by the Royal Dutch Shell interests. They were not justified by economic considerations. Standard Oil Company of New York has met certain of these reductions in order to hold its market position, but its prices are higher than those being charged by its competitors.

The significance of this price warfare will be realized when it is stated that this form of competition, if continued, will cost the Royal Dutch Shell and Burma Oil Companies approximately Rs. 35,000,000 a year and Standard Oil Company of New York approximately Rs. 11,500,000 a year.

This price cutting was conceived and organized and initiated by the Royal Dutch Shell interests, and Standard Oil Company of New York has followed it only in so far as seemed absolutely necessary to protect its market position; at no time has this Company deliberately undercut the prices of its competitors or offered secret or other rebates to undermine the position of its competitors.

Standard Oil Company of New York will continue to supply its markets effectively; it will carry out all contracts into which it has entered; and it will not be swerved in any manner from its clearly conceived policy by such desperate and destructive measures as are being followed in India, and threatened in other parts of the world.

STANDARD OIL COMPANY OF NEW YORK.

By order of the
BOARD OF DIRECTORS.

The 17th January 1928.

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(2) *Letter dated 11th April 1928.*

We enclose five copies of Burma Oil Company, Limited, and Asiatic Petroleum Company (India), Limited, circular letters to selling agents.

The originals or first copies of these letters, along with those on pages 3 and 4 of our printed letter to you, dated April 11th, 1928, came into our

possession through different selling agents of this Company who also represent, or formerly represented, competitive oil companies as selling agents either directly or through family connections.

Letter No. 1, of September 21st, 1927, was sent out in the Bombay area, and definitely proves that the reduction in prices was initiated by our competitors.

Letter No. 2, of October 22nd, 1927, conclusively connects the Burma Oil Company, Limited, with the Asiatic Petroleum Company (India) Limited, in their marketing of oil and in their combined attack on Standard Oil Company of New York.

Letter No. 3, of October 25th, 1927, sent out in the Bombay area, defines one feature of their policy of rebates to dealers in instances of reductions in prices.

Letter No. 4, of November 9th, 1927, and letter No. 5, of November 21st, 1927, from the Burma Oil Company, Limited, and the Asiatic Petroleum Company (India), Limited, respectively, are further conclusive acknowledgment by both companies of their complete connection in their marketing policies, including their attack on this Company.

Enclosure No. 1.

Copy of letter dated the 21st September from the Asiatic Petroleum Company to all Agents.

PRIVATE.

DEAR SIR,

Kindly see that the contents of this letter are *in no circumstances* allowed to come to the knowledge of S. O. C. agents or Inspectors.

Immediately on receipt of this letter, you are to reduce prices of superior and inferior oil, packed and bulk, all brands, *i.e.*, Shell Cases, Anchor tins, Rising Sun tins and bulk, Swan tins and bulk by (one rupee) Re. 1 per unit. B. O. C. brands are similarly being reduced and this step is being taken in conjunction with the object of competing with the S. O. C. and taking trade from them. The reduction of prices applies to your agency and all stations.

You will understand how desirable it is to keep this matter secret from the S. O. C. as long as possible so that you can effect very large sales both at agencies and out-stations before they are aware of the reduction. All dealers should be stocked with the maximum number of units they can possibly be persuaded to take immediately so that later the S. O. C. will find that all dealers have got their full requirements for some time already from the A. P. C. and B. O. C. Kindly immediately telegraph indents for wagon-loads of superior to your outstations. All out-station supplies which are now on the way but do not reach their destination before Friday the 23rd September, can be sold at the reduced rates.

We would repeat that the object of these reductions is to take the greatest possible trade from the S. O. C. in the shortest possible time. The reduction on inferior is a reduction in sympathy so that the normal yellow oil trade will not be converted into white oil trade and it is not our wish that you should overload dealers with inferior.

As from Friday the 23rd instant we wish you to start again sending telegrams daily to us of the sales made by you during the day. These telegrams should show the number of units of each brand sold only and not the prices; the prices can be shown in your Daily Sales Reports. Later we shall probably send you a code whereby prices can be shown but you must not show any prices in plain language in sales telegrams. *This is most important.*

A. P. C., etc.

Signed.

Enclosure No. 2.

P. O. Box 14,
Madras, 22nd October 192?

THE BURMAH OIL COMPANY, LIMITED (Scotland).
Agents:
SHAW, WALLACE & Co.

Circular No. 242.

To

ALL SUB-AGENTS,
THE BURMAH OIL COMPANY, LIMITED.

KEROSENE.

The time has now come to explain to you that a very different state of affairs is now existing to that prevailing a month ago, and we write to you to inform you that we must insist in future on each of our sub-agents co-operating to the *fullest* extent with the A. P. C. Sub-Agent in his district.

We wish you to know that we are now out to take away as much trade from S. O. C. as we can and, although it is quite possible that some sub-agents may be able to carry on a war against S. O. C. perfectly well on their own, there is absolutely no doubt that, if two sub-agents combine together and co-operate in their attack, this concerted attack will be far more effective than if each sub-agent were to work independently.

We have already advised you that you are in order in taking instructions from either B. O. C. or A. P. C. Inspectors who have been given equal authority regarding both B. O. C. and A. P. C. Kerosene sub-agents. This alone should make you realise that it is the intention of the B. O. C. and the A. P. C. to work in perfect unison. Our Inspectors have explicit instructions to see that all sub-agents in their spheres are working together. Where B. O. C. and A. P. C. sub-agents are working together, which they are expected to do from now and onwards, there should be no attempt on the part of one sub-agent to capture the other Company's sub-agent's trade as this will not make for co-operation and you will not unite with the A. P. C. Sub-Agent or he with you as we wish.

We have explained to our Inspectors how we intend to attack S. O. C. and we wish you to discuss with them the best way in which to capture S. O. C. trade in your markets. We have detailed to Inspectors how to bring into force a system of refusing supplies of Inferior Oil to S. O. C. dealers (and of course it goes without saying S. O. C. sub-agents) and we wish you to discuss this with them and the A. P. C. sub-agent. We want to point out however that we do not wish to lose any of the Inferior sales now being made in any circumstances. We also commend to your notice the following instructions:—

(1) You will have no dealings whatever with the S. O. C. Sub-agent, nor will you have any agreement with him regarding sales.

(2) You may not take a S. O. C. sub-agency under another name or be any party to an understanding with S. O. C. sub-agent.

(3) Any past agreement you had with S. O. C. must be broken at once.

For the Burmah Oil Company, Limited,
For Shaw, Wallace & Co.,
(Sd.)............
Agents.

Enclosure No. 3.

The 25th October 1927.

Copy.

PRIVATE.

KEROSENE OIL AGENTS,

DEAR SIR,

We wish you to be able to instil confidence in dealers to buy our oil freely at the present time and you may therefore assure them that we are willing to afford reasonable protection to them against loss. You may therefore tell them that if any further reduction in price should take place we should be willing to give a rebate on stocks of our brands in their hands at the time of the reduction. We trust with this protection, dealers will see their way to buy our brands of oil freely to the full limits of their requirements and storage capacity. And we think it would be advisable, if possible, for you to arrange for your dealers to advise you what stocks they have in hand from day to day or if not daily, at frequent intervals, so that in the unlikely event of there being a further reduction in prices our inspectors would be able to check from your records what stocks dealers would be compensated for. This protection applies both the agencies and outstations.

Yours faithfully,
For The Asiatic Petroleum Company,
(Sd.) H. LEROY.

Enclosure No. 4.

Copy.

BURMAH OIL CO. SUB-AGENTS.

Dated, 9th November 1927.

DEAR SIRS,

In connection with the war which we are waging against the S. O. C. we are working, as you are aware, in the very closest co-operation with our friends the A. P. C., but in order to attain the very best from this co-operation it is absolutely essential that our sub-agents and their sub-agent at each place should also work together hand in hand and as closely as possible to obtain the best results in taking as much trade as possible from the sub-agents of the S. O. C.

This friendship which you must make as soon as possible with the A. P. C. sub-agents should be of the greatest benefit to you both in that you will sell Victoria and the A. P. C. sub-agents will sell Swan as friends and there will be no under-selling between you of any description.

You will also be in a position of course to make the fullest use of Victoria to sell as much white oils as possible and with the help of the A. P. C. sub-agents, you can both of you arrange to direct your efforts entirely against the S. O. C. In order that both companies will work to the best advantage and together we have decided with the A. P. C. that we shall share Inspectors and you will very shortly receive a visit from our Inspector accompanied by A. P. C. Inspector and doubtless any difficulties which may exist between you and the A. P. C. sub-agents will be settled by the joint efforts of both inspectors during their visit. This visit is, however, to enable you to meet the A. P. C. inspector with our inspector and to get to know him, as, after this has taken place, each inspector will have his own sphere and will tour round to each sub-agency visiting the sub-agents of both companies at the same time.

We are unable to tell you at the moment whether our inspector will have the district in which your sub-agency is situated or whether it will be the work of an A. P. C. inspector. If it comes within the district of an A. P. C. inspector then that inspector only will visit your stations and he will give his help to you as well as the A. P. C. sub-agent. He will therefore be in

the same position as one of our own inspectors and will give you instructions as well as assistance, and we wish you to give him all the help that he may want in checking your stocks or obtaining information, and anything else generally in connection with the present rate war.

Please acknowledge receipt of this letter by return of post advising us that you understand the position clearly and that you will do all within your power to increase your share of the trade in close co-operation with the A. P. C. sub-agents at the expense of the S. O. C. sub-agents and that you will make every effort to carry out our instructions to the fullest degree.

Yours faithfully,

Enclosure No. 5.

Madras, the 21st November 1927.

PRIVATE AND CONFIDENTIAL.

SOVIET OIL.

DEAR SIR,

As you are already aware, the present rate war that is now being vigorously prosecuted by the Burmah Oil Company, Limited, and the Asiatic Petroleum Company (India), Limited, on the one side against the Standard Oil Company of New York on the other, is due to the fact that the Directors of both the B. O. C. and A. P. C. in London have decided that they cannot tolerate the action of the S. O. C. in placing their organisation at the service of the Soviet Government to enable the latter to dispose of stolen goods.

In order to enable the A. P. C. and the B. O. C. to prosecute this war with the utmost unity, which means the utmost strength, a most momentous decision has been arrived at in London whereby one marketing Company will be formed in India for the purpose of distributing and selling all the products of these two Companies in the most economical manner and to greatest possible detriment of the S. O. C.

In the formation of this one marketing Company there is no question of either of the contributing Companies absorbing the other, nor is it intended that owing to the formation of this Company, there will be any alteration in the existing up-country organisations of the B. O. C. and the A. P. C. which will continue to work side by side but we hope with greater co-operation and unity than has been the case in the past.

It has not yet been decided what the name of the new Company will be, but, as soon as is known, a public announcement will be made in the press.

We are giving you this information so that you may be in possession of the true facts of the case and in a position therefore to correct any misleading rumours that may be spread by any one with malicious intent.

We also wish you to give this information verbally to all the Pool agents in your sphere and to re-assure them as to their position, emphasising the fact that the sole object of this amalgamation is to benefit the trade of the two partners therein and therefore to benefit also the organisation at present existing under them.

There will be no necessity for any of the B. O. C. or A. P. C. agents to restrict credits unduly or in any other way to hamper the Pool trade or fear of the consequences that may come to them by this amalgamation, but rather they must push on the Pool sales with the greatest possible vigour and in the full confidence that the greater unity that will be brought about by the amalgamation can only tend to greater strength for all concerned therein.

Yours faithfully,
For and on behalf of,
THE ASIATIC PETROLEUM COMPANY
(INDIA), LIMITED.

(Sd.)..................

(3) *Letter dated 11th April 1928.*

In support of our letter of April 11th, 1928, we enclose original letters* and telegrams* received by our various offices in India from our travelling staff of Europeans and Indians, and from a few of our selling agents throughout India.

These letters and telegrams prove that in the so-called price-war the reductions in prices and the system of rebates were initiated by, and have been kept up by, the Burma Oil Company, Limited, and the Asiatic Petroleum Company (India), Limited. They definitely prove that those companies themselves caused, and still maintain, the price levels on kerosene that exist in India to-day.

It may be of interest to you, in your investigations into the causes of the present situation, to know that in the past two months we have made material advances in our kerosene prices in our Bombay and Madras marketing divisions. In not a single instance has either the Burma Oil Company, Limited, or the Asiatic Petroleum Company (India), Limited, increased their prices to the level of ours, taking into consideration their system of increased commissions, rebates, bonuses, prizes, gifts of oil, and overfilled packages. In some of our larger markets these companies still openly undersell us by as much as 14 annas per unit, in addition to which there may be secret rebates, bonuses, etc.

The responsibility for the existing situation is, therefore, conclusively fixed upon those companies, one of which puts forward this plea for Governmental protection from the consequences of its own acts.

The attached letters and telegrams were selected at random from among many others of a similar nature, and should you desire further evidence of this kind we shall be glad to furnish it to you upon request.

Asiatic Petroleum Company (India), Limited.

Representation dated 30th April 1928.

I have been instructed by my Principals to address you in connection with the enquiry, which you are conducting as a result of the rate war, which is at present being carried on in the kerosene market in India.

Before commencing to set out the facts, which in the opinion of our Company have a very important bearing on the points at issue, I should like to take this opportunity of expressing on behalf of our Company our appreciation of the way in which you have signified your readiness to consider our representations, in spite of the late hour at which they are being submitted. I should explain that it was not until about 12th April that our Directors learnt that the Standard Oil Company would give evidence to your committee. Since it might appear to those, who were not cognisant of the recent history of the kerosene trade, that the circumstances of our company and its connections with the Indian kerosene trade were the same as those of the Standard Oil Company whereas in fact they are very different, our Directors decided that it was incumbent upon them to assist your committee by putting before them an explanation of why our company stands upon an entirely different footing to the Standard Oil Company in relation to the kerosene trade of India. Our Directors' representation was despatched by the first mail after they learnt that the Standard Oil Company intended to give evidence before you and was received in Calcutta on 29th April.

I have accordingly been instructed to put the following facts before you with the principal object of showing you how the relations of our company to the Kerosene trade of India differ from those of the Standard Oil Company.

With a view to avoid any misunderstanding, although you are almost certain to be aware of the fact, I should say that the Asiatic Petroleum Company, Limited, is the marketing organisation of the Royal Dutch Shell Group

* Not printed.

of oil companies, and its work in India is undertaken by the Asiatic Petroleum Company (India), Limited, of which Company I was the General Manager in India until my services were taken over by Burmah-Shell Oil Storage and Distributing Company of India, Limited, a company formed to amalgamate the marketing organisations in India of the Burmah Oil Company, Limited, and of the Asiatic Petroleum Company (India), Limited.

Going back to the year 1905, the Asiatic (the name which I shall use throughout for the Royal Dutch Shell Group) and the Burmah were at grips with each other, and it would probably be no exaggeration to say that the indigenous industry was in danger of partial, perhaps permanent, eclipse. In the year 1905 an agreement was signed between the Asiatic and Burmah, and that agreement embodied a principle which has been maintained in all subsequent agreements or modifications of agreements between those two companies. This principle was that the Asiatic sold none of their own oil in India until all the indigenous oil had found its place on the Indian market. As the Asiatic had an organisation already built up, the Burmah Oil Company agreed that a certain part of the production which they had available for the Indian market should be sold by the organisation of the Asiatic. This principle has never been departed from, and, just as in the Kerosene pool agreement the Asiatic had no right to supply through its organisation what India could meet from its own reosurces, so in the Burmah-Shell agreement the first right of indigenous oil to the Indian market, as far as the Asiatic can secure it, is given to the Burmah's production. This is a principle upon which the Asiatic have been trading in India for 23 years, and the principle applies not only to kerosene but also to benzine, and all other petroleum products. During those 23 years the Asiatic have built up in India an organisation of great power, and of great value to the Indian consumer, but never, during the whole of that time, have they claimed to use that organisation for the sale of their own production until it has been used to the fullest possible extent in providing a means for the Indian consumer to have the benefit of Indian production and to assist in the development of the Indian petroleum industry.

In addition to this, the Asiatic, in order that the production of Burmah may find its market in its most obvious sphere, that is to say in Burmah and Chittagong, has excluded itself entirely from trading in those two markets, and we may say that those are the only two markets in the world from which the activities of the Royal Dutch Shell Group are excluded. The Asiatic, in coming to this arrangement, relied upon the demand for oil products in India developing to a point where the output of the indigenous industry would become increasingly insufficient to supply it, and they hoped that as that position developed they would find in the Indian market a greater outlet for their own production without in any way damaging the indigenous production which they had sworn to respect.

As time went on, the prosperity of the indigenous industry brought into existence producers who wished to find room on the Indian market, and these producers one and all automatically received the benefit of the self-denial of the Asiatic. They either received this benefit, as in the case of the British Burmah, the Assam Oil Company, and the Attock Oil Company, by direct agreements subscribed to by the Asiatic, under which the Burmah and the Asiatic co-operated in securing a market on favourable terms for the output of these producers, or, like the Indo-Burmah Petroleum Company, by a tacit understanding that they were to be permitted to find in India a market for their oil without let or hindrance. As far as the Asiatic is concerned, therefore, a way has always been found whereby the indigenous industry could obtain not only a market but a profitable market, which has enabled it to develop and stand firmly upon its own feet.

It may be said by people who are in ignorance of the facts, that as far as can be seen the Standard Oil Company have done exactly the same thing. The Standard Oil Company have done nothing of the kind; what they have done is to profit by the fact that there has been peace in the market owing to the indigenous producers no longer having to struggle to find room for the whole of their output on the Indian market, to make as much money as they can

without accepting any of the responsibilities, which the Asiatic have accepted, in order to produce that peace. Also they exceptionally compete directly with indigenous products in Burmah and Chittagong. It is only necessary to point to figures to show the difference between the Standard's and the Asiatic's contribution to the cause of the peace in which the indigenous industry has flourished. During the last four years, after the indigenous production has found its market, 74 per cent. of what is left over has been taken by the Standard and only 26 per cent. by the Asiatic.

The Asiatic have as much oil to send to the Indian market as the Standard, and this form nearer sources of supply, but they have long since realised that to claim the right of equality in supply with the Standard would lead to a fight, in which the indigenous industry would be the chief sufferer. Therefore it was not difficult for the Standard to leave the indigenous industry in peace when they were receiving all the benefits of peace and makng none of the sacrifices.

People who are quite ignorant of the history of events may overlook, unless it is pointed out to them, how the indigenous industry has been protected in another way. India is the obvious market of the Anglo-Persian, and the question may very well be asked how it was that the Anglo-Persian did not make use of this market at their very door. The answer is that the Burmah Oil Company were able to point out to the Anglo-Persian that if they came into India and were not prepared to make the same acknowledgment as the Asiatic to the policy of protection of the indigenous industry, the indigenous industry would lose the protection which the Asiatic were giving it. Consequently if the Anglo-Persian wanted a share of the Indian market they would have to obtain it by a reduction of the preponderating share which the Standard Oil Company were enjoying. Thus the Anglo-Persian could only get into India after a fight with the Standard Oil Company. The Anglo-Persian reckoned up the cost of this fight, which would inevitably mean spending enormous sums of money, and would equally inevitably do great damage to the indigenous industry. They saw that even when, at the end of it, they might have established themselves on the market at great cost, unless the indigenous industry was to be crippled for ever, they would have to give back to it whatever they might have taken from it in the process of the fight. The Standard Oil Company, on the other hand, would be unlikely to recognise any duty or obligation to reinstate the Burmah producers in the position from which they might have dislodged them in the course of hostilities. Therefore it was impossible for the Anglo-Persian, if they waged this costly war, to keep all the spoils of whatever victory they might obtain. The Anglo-Persian could have no victory at the expense of indigenous production, and the Standard Oil Company would submit to no defeat that they could not at any rate partially recoup at the expense of the indigenous producer. Whichever way we look at it, we get back to the same conclusion that if one party assumes the responsibility of protecting the indigenous industry and the other does not, the latter must flourish on the fact that the former has adopted this policy of protection. It may be said that the Standard Oil Company might have been induced to subscribe to the same policy; all we can say to this is that the opportunity recently given to them by us to do so was refused: we believe that in the past a proposition put to them by the Burmah to respect indigenous production in Burmah and Chittagong was declined.

Now it may well be asked what made the Asiatic suddenly alter their policy, and the reply is that as far as the policy of protection of the indigenous industry goes the Asiatic have not altered their policy; the new Burmah-Shell Agreements are plain evidence of this fact, and moreover reiterate the undertaking of the Asiatic to protect the indigenous industries in an even more permanent and binding form than this obligation has ever been stated in the past.

The reasons why prices have fallen and the indigenous industry feels itself threatened are these: in the past, while the Asiatic were accepting their 26 per cent. as against the Standard's 74 per cent. of the trade left over after indigenous production had been fully cared for, the Asiatic were ready to

recognise the fact that the Standard had over a long period of years built up for themselves a connection in India for the sale of their own American oil. The Asiatic might have claimed that their recently acquired supplies from California and Venezuela entitled them to a redistribution of the respective shares of the Standard and themselves; but they could not do this without bringing into question the right of the Anglo-Persion to the Indian market which would have raised the consequences to which we have already alluded and put in jeopardy the protection of the Indian industry. As long therefore as the Standard Oil Company went on using their Indian connection as an output for their American production the *status quo* was not disturbed. The Standard Oil Company however suddenly decided that they would use their Indian organization for the sale of their Russian oil, and when taxed with the morality of taking oil which they knew to be dishonestly come by they defended themselves on the purely commercial grounds that to assure their position in India against the Asiatic group they had to have a nearer and cheaper source of supply. They suggested that the Asiatic had a source of supply for the Indian market in Roumania and that they must get even with them by acquiring a source of supply equally near to India. When they put forward this argument as a justification for dealing with stolen property they knew it to be misleading, because as they very well know the Asiatic has no supplies for India available in Roumania and in attempting to draw a red herring across the trail of their questionable purchases they forgot completely that oil from such nearer sources of the Asiatic in the Dutch East Indies had never been used to attack their position in India.

This action on the part of the Standard Oil Company raised the whole question which had been dormant for twenty years. It has been shewn that the policy of protecting the indigenous industry pursued by the Asiatic had been greatly to the advantage of the Standard Oil Company, and that the Asiatic had tacitly acquiesced in the fact that this policy was at the same time assuring an undisturbed position for American oil, but they saw no reason why the privileged position which American oil had occupied on the strength of its long association with the market, should be accorded to Russian oil—especially stolen Russian oil—nor did the Anglo-Persian see any justification for leaving the Indian market to Russian oil, more particularly as on the very argument adopted in excuse of their action by the Standard Oil Company, their oil had, no less than the Eastern production of the Asiatic, a very much better right to the market.

It is therefore clear that it was the advent of Russian oil upon the market which made it impossible for the people who had wished for nothing better than to assure the protection of indigenous oil to continue to give it that protection.

In the recent Joint Communiqué which was submitted to the Government of India by the indigenous Oil Companies, it was remarked that India, with its indigenous production, had been specially selected by the Standard for an assault by Russian oil.

You are at present enquiring whether the present prices at which petroleum is being sold in India are justifiable, and whether any steps should be taken to protect the indigenous industry from the consequences of the present war.

Now it is plainly to be seen that if the Russian Government had not stolen the properties of British Oil Companies, and thus placed themselves in possession of large quantities of oil which they were able to sell for export on terms which no one who had had to pay for the cost of drilling the wells, and of all the other costly processes which go to produce a regular supply of oil could possibly give, and if the Standard Oil Company had not decided, as they themselves admit, on the sole ground that they found this oil cheap (as indeed it should be, being stolen property), that they could make more money out of the Indian market by putting this stolen oil upon it, the protection which the indigenous industry has been receiving for 23 years at the hands of the Asiatic would still be a fact as well as a principle. That the Asiatic wished to give it this protection is amply proved by the fact that

they have just signed an agreement in which they guarantee this protection as far as it is in their power to give it, but for the time being at any rate the matter has been taken out of their hands, as not only do they themselves refuse to keep their oil out of India in order to allow Russian oil to assume the privileged position occupied by American oil, but, even if they were prepared to allow oil acquired from their stolen properties to take preference over their own oil in India, they cannot prevent the Anglo-Persian from claiming that their oil has a better geographical right to the market than Russian oil, and a better moral right than stolen oil. It is not doubted that with this cheap stolen oil the Standard Oil Company can put up a long fight in an endeavour to retain the benefits accorded to American oil in the past as an incident to the Asiatic's desire to protect the indigenous industry. The question is whether the damage which will be done to the indigenous industry from the fact that stolen oil can keep up this fight is one which India can overlook.

This letter has dealt chiefly with the kerosene position, but everything that is said in it to describe the Asiatic's attitude in the matter of kerosene applies with equal force to benzine. From the day when Burmah production could take over the task of supplying the benzine needs of India, no benzine of the Asiatic has ever come to the market. Burmah can still supply all the benzine needs of India, but we hear that the Standard Oil Company now propose to bring their benzine to the market and sell it there too. If they do so, it can only mean displacement of indigenous benzine which might be sold there, and the protection accorded to it will immediately become a dead letter. Up till now this protection has been secured by nothing more solid than a voluntary agreement between two parties, one of whom wants to develop an industry for the benefit of India and the Indian consumer, while the other sees justice and reason in this desire. But the moment that the serving of this end is taken out of their hands by the action of a third party, this agreement becomes a scrap of paper; it has no force and no value, and the people who made it can do nothing more to give it force and value. From that moment the decision is in the hands of the Government, who will have to decide whether the protection of an industry is something worth continuing or not, and will have to realise that if they decide that it is worth considering, they are the only people now who can take effective steps to continue it.

Letter dated 30th April 1928, from the Indo-Burma Petroleum Company, Limited, British Burmah Petroleum Company, Limited, Hessford Development Syndicate, Limited, The Assam Oil Company, Limited, and the Attock Oil Company, Limited.

We have been asked to formulate a scheme by which the smaller indigenous Companies might be accorded temporary relief or assistance to enable them to carry on their normal operations until such time as the Legislature in the normal course of procedure might pass orders on any permanent measure of protection and/or assistance as the Tariff Board, on completion of the enquiry now proceeding, may decide to recommend.

We accordingly suggest the following:—

(1) Remission of the Excise duty on the volume of Kerosene and Petrol manufactured by Companies from the first 1,500 barrels daily production of Crude Oil during (*a*) the remaining period of the rate war and (*b*) for a post-war period equal to the duration of the rate war, say from the 23rd September 1927 to the date on which agreement is reached between the Royal Dutch Shell Group and the Standard Oil Company of New York, and/or Kerosene prices revert to normal based on world parity, and (*c*) on the expiry of the post-war period in (*b*), the reinstatement of the Excise duty, if at that time considered justified, not immediately but gradually over a period of time to be decided later.

(2) The increase in the import duty on foreign Kerosene by one anna per gallon.

We are not able to say that it is within the executive powers of the Government of India to sanction the proposals under (1) without reference to the Legislature although we have been advised that it is so. Under the Sea Customs Act however we understand the proposal under (2) can be effected by notification at least for a definite period. Should the Tariff Board consider however that by reason of such action being *ultra vires*, Excise duty cannot be remitted by Government forthwith, that is without having referred to and obtained the sanction of the Legislature, to wait for which must entail a delay which could only prove seriously dangerous to the existence of the smaller companies, we then respectfully suggest that the rate of increase in import duty on foreign kerosene suggested under (2) be further increased by the amount of the Excise duty on that product and that a temporary increase on the import duty on petrol by 4 annas per Imperial gallon be recommended.

It seems pertinent at this stage to consider the effect on the Central Revenues if the foregoing proposals (1) and (2) were sanctioned.

Assuming the affected crude production of the five companies concerned, *viz.*, The British Burmah Petroleum Company, Limited, The Assam Oil Company, Limited, The Attock Oil Company, Limited, The Hessford Development Syndicate, Limited, and the Indo-Burma Petroleum Company, Limited, to aggregate 5,000 barrels daily, the monthly gallonage may be accepted at approximately 3,100,000 gallons of Kerosene and 1,240,000 gallons of Petrol, calculated on an average yield of 50 per cent. and 20 per cent. respectively for a month of 31 days.

The loss of revenue from these volumes of products over 12 months would total Rs. 60,45,000. To offset this remission of Excise revenue, Government would secure additional receipts from the Customs, of approximately Rs. 51,75,000 calculated on the basis of pre-war imports of 300,000 tons Superior Kerosene at 276 Imperial gallons per ton and duty at 1 anna per gallon.

We would further suggest, for the Tariff Board's consideration, that in forwarding any recommendation of a temporary nature for the immediate relief of the smaller companies, the Board will advise Government to take necessary powers to retain any differential that might obtain between the temporary measures proposed and any permanent protection that later may be enacted, as a permanency in favour of the indigenous producers up to the maximum daily crude production of 1,500 barrels. We refer here to any modification in the remission of excise which later might be suggested.

As regards petrol it now seems clear that the Standard Oil Company of New York are not prepared to "leave the indigenous Companies in the full enjoyment of all the trade their production can supply" or "fully recognise first claims of indigenous production to home markets", and we have to suggest therefore that the import of foreign petrol be prohibited until such supplies are necessary, when the previous margin of protection might be restored.

We wish to take this opportunity also of stressing a feature of the present position which was mentioned in the Memorials of this Company and the Attock Oil Company, Limited, dated 15th December 1917, and which has been referred to in oral evidence before the Board. We refer to the restriction to keep foreign Companies out of India imposed by Government of India in 1903. At that time, in formulating certain Rules in respect of Mining leases which restricted the indigenous Petroleum Industry to British Ownership and Control, Government doubtless foresaw circumstances in the future such as have now arisen and the form of protection afforded was considered politic then to promote a healthy indigenous industry. As the result of that protection the indigenous industry which was not nearly so important as it is today has developed to its present dimensions.

It would appear to us that abandonment of the fundamentals of that policy now, while at the same time the hands of the indigenous producers are so strictly tied by the terms of the Mining Rules, would entail the gradual extinction of the indigenous industry as it is too small compared with that of other producing countries to withstand, by itself, uneconomic competition.

Quite apart from the general question of world prices parity it is obvious that inferior Kerosene has been sold in India consistently below that point since even the Standard Oil Company of New York with its established selling organisation have never attempted to import this grade, and it follows that the present differential which in the past had so vastly benefited the poorer Indian consumer will disappear if the indigenous industry is extinguished or becomes dominated by foreign oil. Under such an eventuality it would seem reasonable to assume that future Indian demands would be met by one priced oil only.

We would draw the attention of the Tariff Board to the recent increase in import duty on light oils and petrol into the United Kingdom, which will have the immediate effect of assisting the Scottish Oil Shale Industry, the Anglo-Persian Oil Company, Limited, through that Company's refining operations at Grangemouth and Swansea and other Refining Companies in England. It seems clear that if a huge concern like the Anglo-Persian Oil Company, Limited, has had to pass its *interim* dividend due to uneconomic competition there can be little chance of small producing concerns like ourselves withstanding the same destructive forces. We have already referred to the foregoing orally before the Board, but a new feature occurs to us which may be worthy of mention, namely, that now with a 4 pence per gallon tariff barrier to meet in marketing kerosene and petrol in the United Kingdom, there will be a greater attraction in the Indian markets for surplus world supplies.

Letter dated 7th May 1928, from the Burmah Oil Company, Limited, Indo-Burma Petroleum Company, Limited, British Burmah Petroleum Company, Limited, the Assam Oil Company, Limited, the Attock Oil Company, Limited,* and the Hessford Development Syndicate, Limited.*

The representatives of the Indigenous Oil Companies have been asked to put up a note expressing their views on the comparative merits of importing products in order to meet the deficit between indigenous supplies and the Indian demand and importing crude oil from which this deficit may be obtained by refining.

2. While there are possibly advantages in an arrangement by which the State would force imports in the form of crude oil instead of in the form of products, such, for example, as the increase of employment through refining in India, there are a number of disadvantages which, we think, might prove disastrous to the indigenous industry unless it could be permanently assured of the goodwill of foreign producers, which, of course, we cannot expect.

3. It would be necessary to take precautions to ensure that facilities for refining imported crude oil should be confined to *bonâ fide* indigenous producers, that is to say, refiners who are also producers of crude oil in India. If this were not done there would be a danger of refining companies being started up in India, financed by foreign concerns with a view to securing their position in the Indian market.

4. Some of the disadvantages of the importer of crude oil would be—

(*a*) They would incur freight and other charges from America on the percentage of crude which would be lost during refining, and it may be, also on the residue of low value heavy fuel oil which must be sold at liquid fuel prices current for Persian or Borneo fuel in Indian Ports. The percentages of both and of leakage loss in transit would depend upon the class of crude oil obtained.

* The letter was signed on behalf of the Assam Oil Company, Limited, and the Attock Oil Company, Limited, with the following remark:—

"We entirely agree with the views expressed above, but would point out that, as our refineries are situated many hundreds of miles from the seaboard, we could not under any circumstances derive any benefit from the importation of crude oil."

(*b*) They would have to purchase their raw material in the world market in competition with more powerful bodies whose costs of refining are very much lower, owing to their much greater volume of production and to the fact that their refining material and plant can be procured more or less on the spot and does not have to be imported.

(*c*) They would be at the mercy of any fluctuations in price of products between the date of their purchase of crude oil and the date when the products therefrom could be placed on the market; and a hostile foreigner could take advantage of their situation to involve them in serious losses. The indigenous producers would be no more secure from the attack of outsiders than they are at present, unless a market for their whole production at remunerative prices were guaranteed to them by protective measures.

(*d*) Any products of the imported crude oil in excess of the Indian demand (*e.g.*, Petrol, Wax) would have to be re-exported and sold in the world market, obviously at a disadvantage, since they would have to bear the cost of freight, etc., on the crude to India and also on the product from India to the market.

5. It would not be possible to arrange the volume of imported crude so as to balance the supply of all the products from refineries in India with the demand for those products in India. For example if sufficient crude were imported to meet India's requirements of kerosene at present, it would be necessary at the same time to produce petrol far in excess of India's demand for some time to come. The extent to which it would be necessary to produce such excess petrol would depend on the nature of the crude oil.

6. From the point of view of the State, facilities for the importation of crude oil would be disadvantageous, since as the cost of producing crude oil in India increased in proportion to the cost in other countries, there would be an ever-decreasing inducement to the indigenous producer of crude oil to develop his concessions to the fullest possible extent.

7. We believe that Government, in no lesser degree than the companies presently carrying on the crude oil production industry, would hesitate to subscribe to any measure likely to result in a temporary or permanent suspension of the development of the natural mineral resources of the Empire.

8. Another aspect of the case which, we think, requires very careful consideration is that foreign interests who consider that they have established a right to a share in the Indian market will not submit to being deprived of that market without a struggle, and, therefore, unless the protection given to the indigenous companies were such as to prevent entirely any imports other than such as they would make themselves, the result would almost certainly be a rate war in India which would be the ruin of the indigenous industry. It would appear obvious however that the present foreign marketers would require to be supplied with products or be allowed to import them as otherwise their colossal marketing organisations would require to be scrapped.

9. It will be apparent from our writing above that we, the indigenous crude oil producers of India and Burma, do not view with any favour the suggestion to supplant imported refined petroleum products by imported crude oil.

We are definitely of the opinion that economically the proposal is unsound and any idea of erecting new refineries at Indian Ports instead of expanding existing Burma refineries only makes it more so.

10. We submit that the suggestion affords no relief from the present emergency and if persisted in to the exclusion of other remedies may render the enquiry by the Tariff Board abortive of any practical results.

It is our fully considered view that there is no satisfactory solution to the problem of securing the maximum efficiency of the indigenous oil industry of the Indian Empire other than is provided by the proposals already submitted by the smaller companies.

The Burmah Oil Company, Limited.

(1) *Letter dated 4th May, 1928.*

With reference to the letter of 30th April, setting forth the views of the smaller Oil companies as to the measure of temporary relief required to help them out of their difficulties, we have the honour to recall to your attention the paragraph on page 4 of the Burmah Oil Company's original representation dated 14th April 1928 where it was represented that no differential treatment should be accorded to large and small companies except such as might arise from their different volume of production.

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(2) *Letter dated the 5th May, 1928.*

I understand that you would like to have a note on the method of calculating freight from America on time charter terms. The following is an example:—

Tanker of 8,600 deadweight tonnage will carry about 7,400 tons cargo.

A voyage from Gulf to Madras, Calcutta and return in ballast to Gulf occupies 56 days steaming and 13 days in port on the outward journey and 56 days steaming and 1 day in port on the homeward voyage.

Fuel consumption is 25 tons per day steaming and 6 tons per day in port.

Fuel supplies for outward journey at £1-15-0 per ton and for homeward journey at £3 per ton.

Time charter rate of freight 8*s*. per deadweight ton per month.

		£
8,600 tons for 126 days @ 8*s*. per month . . .		14,309
	£	
Fuel—		
56 days @ 25 t.p.d. @ £1-15-0 per ton .	2,450	
13 ,, @ 6 t.p.d. @ £-15-0 ,, ,, .	136	
56 ,, @ 25 t.p.d. @ £3 ,, ,, .	4,200	
1 day @ 6 t.p.d. @ £3 ,, ,, .	18	
		6,804
Disbursement—		
Canal dues, lights, pilotage, etc., say . .		3,125
		24,238
Divide by 7,400 to arrive at freight cost per ton of cargo		£3-5-6

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(3) *Letter dated the 7th May, 1928.*

With reference to your enquiry dated the 4th April 1928 as to the figure to be taken as representing the loss by leakage and the insurance charges on kerosene shipped from Batoum to India, we regret that we have information on the subject, but as this figure may be expected to bear some relation to the length of the voyage, we think that it would be sufficiently accurate to take it as about a half of the figure for the Gulf Port/India voyage.

(4) *Copy of a letter dated the 23rd November, 1927, from the Standard Oil Company of New York, Calcutta, to one of their Commission Agents.*

You will be interested in learning that this Company has definitely decided to go into the petrol business in India. Of course it will take a few months for us to build our installations and get underway, but our entrance into the petrol market is a definite proposition.

It will be our intention to give our up-country petrol agencies to our kerosene oil agents at every place that it is possible to do so.

Our final decision as regards your appointment as our petrol distributor for your agency will depend largely upon the results you show in increasing your sales of Elephant brand by at least 100 per cent. during the intervening months. We expect greatly increased sales of Snowflake and Chester cases, and Monkey cases and tins also, but your great opportunity for doubling your sales and therefor your commissions lies in selling superior Elephant to former consumers of low grade red and white oil who can now obtain smokeless Elephant for lanterns and lamps at approximately the same price they formerly paid for smoky oil for kuppees.

As far as the so-called high grade white oils sold as imitation Elephant are concerned, you will probably find these being sold at reduced rates below Elephant at present. This is an open admission that Elephant brand is the only superior oil on the market for general use, and the oil consuming public should be informed by you that you do not have to reduce your prices because of that fact. You can easily increase your sales at the present low pirces on your High Grade Elephant in spite of further reductions on other inferior, low grade, smoky products.

Remember that our petrol agency depends upon your whole-hearted, loyal support, and greatly improved results in your kerosene trade.

Please acknowledge receipt of this letter indicating that you understand it fully.

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(5) *Letter dated 11th May, 1928.*

We enclose herewith a statement marked "A" showing "Sales in pool area and returns realised or realisable" during the period 1st October, 1927, to 21st April, 1928.

For the present purpose this statement has been divided into two periods, *viz.*, 1st October to 31st December, 1927 and 1st January to 31st March, 1928, and shows the loss the Companies have suffered up to that date due to the rate war, based on the fact that kerosene might have realised world market prices during the two periods. Details of how these world market prices are arrived at are shown on the attached statement marked "B".

Statements C. 1, 2, 3 and 4 show the loss apportioned over the various companies on the assumption that the pool had remained in *status quo*.

The loss during the period 1st October to 31st December, 1927, amounted to Rs. 48,89,467 and during the first quarter 1928 to the enormous figure of Rs. 73,06,116 based on gulf port rates ruling on 21st September, 1927.

The division of the loss as between the Companies is only estimated as it would involve lengthy and intricate calculations to show the exact allocation.

Prices realised in China.—With reference to the question as to how the arrangement, whereby returns realised in China are to be taken as the contributing prices should these be greater than the returns realised in India, would affect the companies, we would mention that the China arrangement applies only to the Burmah Oil Company, Limited, the British Burmah Petroleum Company, Limited, the Assam Oil Company, Limited, and the Attock Oil Company, Limited, and definitely secures nothing for these companies:

during 1927, since the return in China was lower than in India during that period. The position after this date is still obscure, but we are informed by our Directors that, from figures taken out up to first half of April, 1928, the China return was greater than the Indian return by about six pence per unit. It is quite impossible to say to what extent the companies will benefit by this until accurate China and India results are ascertained. Under present arrangements the Asiatic Petroleum Company will contribute 50 per cent. of the sum resulting from multiplying six pence by the above parties' volume of kerosene affected by the present dispute. It will also be necessary to take into account the fact that the inferior and superior differential in India and China has to be adjusted to the same figure. A very rough estimate of the amount to be contributed by the Asiatic Petroleum Company during the period January to June, 1928 on the above basis is £80,000 say Rs. 10,60,000.

Enclosure No. 1.

THE BURMAH OIL COMPANY, LIMITED.

Sales in "Pool" selling area and returns realised or realisable.

Week ending	Superior Sales.	Inferior Sales.	Total Sales Unit.	Average Return Realised.	Total Return.	Total Return on Basis of Rs 4-9-9 superior, Rs. 4-5-9 inferior.	Total Return on Basis of Rs. 4-13-5 superior, Rs. 4-9-5 inferior.
1st October 1927	145,312	246,621	391,933	4 7 2	1,743,287	1,744,909	1,834,728
8th October 1927	105,787	191,149	296,936	4 7 0	1,317,653	1,320,900	1,388,950
15th October 1927	165,072	389,808	554,880	3 12 0	2,080,800	2,460,195	2,587,357
22nd October 1927	151,788	297,891	449,679	3 10 2	1,634,772	1,998,254	2,101,317
29th October 1927	130,803	241,467	372,270	3 9 0	1,326,212	1,655,563	1,740,877
5th November 1927	156,128	271,196	427,324	3 9 4	1,531,243	1,901,896	1,999,826
12th November 1927	148,336	266,622	414,958	3 8 4	1,460,997	1,845,040	1,941,136
19th November 1927	145,506	239,665	385,171	3 7 6	1,336,062	1,715,479	1,803,749
26th November 1927	160,172	269,023	429,195	3 7 10	1,497,710	1,911,063	2,009,422
3rd December 1927	191,855	269,245	461,100	3 8 2	1,618,681	2,058,070	2,163,739
10th December 1927	146,313	249,433	395,746	3 7 1	1,262,880	1,761,782	1,852,474
17th December 1927	159,519	246,543	406,062	3 7 2	1,40[illegible],333	1 810,054	1,903,111
24th December 1927	167,420	218,492	385,912	3 4 1	1,256,335	1,724,188	1,812,627
31st December 1927	217,578	268,106	485,684	3 5 6	1,623,662	2,171,671	2,282,975
TOTAL	2,191,589	3,665,261	5,856,850	...	21,190,607	26,080,074	27,422,288

7th January 1928	123,271	206,887	330,158	3 5 7	1,105,409	1,470,099	1,545,761
14th January 1928	163,524	254,929	418,453	3 3 6	1,346,642	1,865,073	1,960,969
21st January 1928	178,171	253,770	431,941	3 2 10	1,372,833	1,927,533	2,026,522
28th January 1928	164,917	239,893	404,810	3 1 11	1,262,790	1,805,945	1,898,717
4th February 1928	191,224	249,158	440,382	3 3 4	1,412,891	1,967,594	2,068,516
11th February 1928	203,356	274,316	477,672	3 2 5	1,505,164	2,133,188	2,242,656
18th February 1928	224,532	285,082	509,554	3 3 3	1,632,163	2,277,467	2,394,242
25th February 1928	263,949	348,702	612,651	3 3 0	1,952,825	2,736,763	2,877,161
3rd March 1928	254,184	376,385	630,569	3 3 5	2,026,360	2,812,432	2,956,937
10th March 1928	156,266	245,916	402,182	3 4 4	1,315,470	1,792,328	1,884,494
17th March 1928	168,234	236,233	404,467	3 3 8	1,306,091	1,805,281	1,897,971
24th March 1928	150,176	207,596	357,772	3 4 4	1,169,848	1,597,206	1,679,114
31st March 1928	201,537	267,109	468,646	3 5 7	1,569,695	2,093,388	2,200,785
TOTAL	2,443,341	3,445,916	5,889,257	...	18,978,181	26,284,297	27,633,925
7th April 1928	125,221	199,727	324,948	3 5 7	1,078,470	1,447,875	1,522,342
14th April 1928	122,397	190,656	313,053	3 5 7	1,048,088	1,395,314	1,467,055
21st April 1928	129,757	227,417	357,174	3 5 7	1,195,490	1,589,494	1,671,346
TOTAL	377,375	617,800	995,175	...	3,322,048	4,432,683	4,660,743
GRAND TOTAL	5,012,305	7,728,977	12,741,282	...	43,490,836	56,797,054	59,716,956

Enclosure No. 2.

Ex-*Indian installation prices per unit based on prices per American gallon f.o.b. Gulf ports—as at 21st September 1927 and 23rd April 1928.*

344 American gallons = 1 ton.

34·5 units of 8 imperial gallons = 1 ton.

∴ 1 unit = 10 American gallons.

Exchange \$100 = Rs. 275.

21st September 1927—

f.o.b. Gulf price was 5·75 cents per American gallon
= 57·5 cents per unit.
= Rs. 1-9-3 per unit.

Freight as agreed . . .	,,	1-3-0	,,	,,
Leakage and insurance (as previously) . . .	,,	0-0-6	,,	,,
Profit 10 per cent. on c.i.f. .	,,	0-4-6	,,	,,
Import duty and other charges (as previously) . . .	,,	1-8-6	,,	,,
Ex-installation . . .	,,	4-9-9		

23rd April 1928—

f.o.b. Gulf price was 6·5 cents per American gallon
= 65 cents per unit.
= Rs. 1-12-7 per unit.

Freight as agreed . . .	,,	1- 3-0	,,	,,
Leakage and insurance (as previously)	,,	0- 0-6	,,	,,
Profit 10 per cent. on c.i.f. .	,,	0- 4-10	,,	,,
Import duty and other charges (as previously) . . .	,,	1- 8-6	,,	,,
	,,	4-13-5	,,	,,

Increase as compared with 21st September 1927 = Rs. 0-3-8.

4th Quarter 1927—

Total return on basis of Rs. 4-9-9 and Rs. 4-5-9—

	Rs.
Units 5,856,850	2,60,80,074
Average return realized	2,11,90,607
Total loss .	48,89,467

Loss during this period allocated as follows—

Asiatic Petroleum Company . . .	11,03,553
Burmah Oil Company	33,41,217
Attock Oil Company	1,30,402
British Burmah Petroleum Company . .	3,14,295
	48,89,467

Total return on basis of Rs. 4-13-3 and Rs. 4-9-5—

	Rs.
Units 5,856,850	2,74,22,288
Average return realized	2,11,90,607
Total loss	62,31,681

Allocated as follows—

Asiatic Petroleum Company	14,06,490
Burmah Oil Company	42,58,419
Attock Oil Company	1,66,199
British Burmah Petroleum Company	4,00,573
	62,31,681

1st Quarter 1928—

Total Return on basis of Rs. 4-9-9 and Rs. 4-5-9—

Units 5,889,257	2,62,84,297
Total Average realised	1,89,78,181
Total loss	73,06,116

Allocated as follows:—

Asiatic Petroleum Company	16,96,407
Burmah Oil Company	30,85,519
Assam Oil Company	2,01,357
British Burmah Petroleum Company	4,75,993
Anglo-Persian Oil Company	17,14,526
Attock Oil Company	1,32,314
	73,06,116

Total return on basis of Rs. 4-13-3 and Rs. 4-9-5—

Units 5,889,257	2,76,33,925
Average return realised	1,89,78,181
Total loss	86,55,744

Allocated as follows—

Asiatic Petroleum Company	20,09,777
Burmah Oil Company	36,55,494
Attock Oil Company	2,38,552
British Burmah Petroleum Company	5,63,922
Anglo-Persian Oil Company	20,31,243
Attock Oil Company	1,56,766
	86,55,744

(6) *Letter dated 11th May 1928.*

In response to the statement of the President that he wished to be satisfied that the Indian consumer had derived benefit from the Kerosene pooling arrangement, we have the honour to reply as follows:—

The Kerosene Pool was inaugurated in 1919 with the object of overcoming the difficulty presented by the great disparity between the prices at which importers and those at which the indigenous companies were willing to sell their kerosene to the Indian consumer. The Burmah Oil Company throughout the war had kept its price for inferior kerosene at a price which returned to it Rs. 2-14-0 per bulk unit of 8 gallons *ex* main installation. At the end of 1916 Foreign supplies of Inferior Oil to India ceased, while supplies of Foreign Superior were very greatly reduced. The result was that supplies were quite inadequate to meet the demand and dealers immediately started profiteering. As a temporary measure Government endeavoured to control prices and supplies by dealers with a view to stopping this profiteering, but the attempt was only partially successful and could only be regarded at the best as a temporary expedient.

The prices at which the Burmah Oil Company had been selling had for a long time been very much below the world's market value and foreign importers were not prepared to import kerosene into India at below the world's market rate. Since indigenous supplies were inadequate to meet the demand, a continuance of sales by the Burmah Oil Company at its then current rates would have simply resulted in dealers selling indigenous oil at or about the price of foreign oil and putting the difference in their pockets, or in other words the consumer all over would have to pay the price of foreign kerosene.

The only alternatives were—

(*a*) for the indigenous companies to fix their prices at the same level as those of foreign oil,

(*b*) to come to an arrangement with an importer to pool supplies and sell them at the average cost of indigenous and imported supplies.

It was the latter alternative which was chosen by the Burmah Oil Company and the arrangement commonly known as the Kerosene Pool was the result.

At that time the Asiatic Petroleum Company could not see their way to supply kerosene against the deficit between India's supply and demand at a lower rate than Rs. 7-3-0 per unit of 8 gallons for inferior kerosene, as against the Burmah Oil Company's price of Rs. 2-14-0. The average of supplies at these two rates resulted in a selling price to the consumer which gave a return *ex* installation of Rs. 4-3-0 per unit.

By the adoption of alternative (*b*) instead of alternative (*a*) above, the consumer thus derived a benefit amounting to Rs. 3 per unit, while the Burmah Oil Company sacrificed Rs. 4-5-0 per unit.

That was the position at the time when the Kerosene Pool started. As regards the benefit derived by the Indian consumer during the earlier years of its history, we have already quoted, in our main representation, the speech of the Chairman of the Burmah Oil Company at the Annual Meeting in 1923, when he estimated the saving in India's kerosene bill from June 1919 to that time as £22,000,000 and we regret that the Board does not accept this as sufficient indication that the Indian consumer has derived benefit from the pooling arrangement. This figure was presumably arrived at by applying the current prices at U. S. A. Atlantic seaboard and current rates of freight and exchange to the whole volume of supplies to the Pool, both foreign and indigenous, and comparing the result with the price which was actually paid for supplies to the Pool. As has been explained in evidence, the price to the consumer was fixed periodically so that the amount realized by the Pool from sales was, as nearly as possible, the same as the amount paid by the Pool for its supplies, any

excess or deficit in one half year being taken into account in fixing prices for the following half year; and, therefore, any benefit due to the difference between world market value and the actual cost of supplies was passed on to the consumer.

We are unable to give the details of the Chairman's calculation but we find that the Gulf prices upon the basis of which the prices of the Pool's foreign supplies were fixed at the beginning of each half year during the period to which he referred compared as follows with public quotations:—

	Basis of Pool Supplies.	Public Quotations.
	Cents.	Cents.
First half 1920	13½	12, 15, 15½
Second half 1920 . . .	13½	15, 13½, 13¼
First half 1921 . . .	11	13½, 12, 11½, 10½
Second half 1921 . . .	5½	6, 5½, 6
First half 1922 . . .	6	8, 7
Second half 1922 . . .	6¼	6, 5½, 7, 7½
First half 1923 . . .	6½	7, 6, 7

By another method of calculation we arrive at a saving of £18,828,501 to the Indian consumer owing to his not being entirely dependent on America for his supplies. This method consists of applying the actual invoiced price of the Pool's foreign supplies based on the above Gulf prices, to the indigenous supplies and comparing the result with the actual cost of the Pool's indigenous supplies. The difference between this figure and that arrived at by the Chairman is probably due to the fact that supplies of Borneo oil were contributed by the Asiatic Petroleum Company at 4 to 12 annas below American parity and also to the saving in freight resulting from shipment from Eastern sources of supply instead of from America; that is to say that, even for its imported supplies the "Pool" was paying less than world parity based on Gulf prices.

The question of the benefit which the Indian consumer derives from the pooling arrangement may be approached also from a different angle, namely, the comparison of prices in a country where no such arrangement exists. We are indebted to Messrs. Steel Brothers for the following information which they have received from Singapore, regarding prices at present ruling there. The prices are the same now as they were a year ago:—

	Bazaar Rate.				Wholesale rate.			
	$	Rs.	A.	P.	$	Rs.	A.	P.
First Quality, Bulk .	5·30	8	3	4	5·10	7	14	4
First Quality, Tinned .	5·60	8	10	9	5·40	8	5	10
Lowest Quality, Bulk .	4·90	7	9	5	4·70	7	4	6
Lowest Quality, Tinned .	5·20	8	0	10	5·00	7	11	11

(Exchange $ 100=Rs. 152⅞.)

When the distance from Singapore to its sources of supply—Borneo, Sumatra, Sarawak—is compared with the distance from Rangoon to the main Indian ports, it seems clear that the higher price of its kerosene supplies cannot be attributed to a greater cost of laying down stocks, and it may perhaps be assumed that the fortunate position in which the Indian consumer finds himself in comparison with the inhabitant of Singapore is due to the

fact that India has an indigenous industry which is still powerful enough to control the upward trend of prices.

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(7) *Letter dated 23rd May 1928.*

With reference to the President's enquiry whether the indigenous Oil Companies would be willing to give a guarantee that the amount of any additional protection granted to them will not be added to their selling prices, we have the honour to inform you that we are authorised by our principals to state as follows:—

The object of a protective tariff is to assist an indigenous industry to sell its product at a price which will at least cover its cost of production when without that protection it would be unable to do so. If the indigenous industry were to give an unconditional guarantee that it would not add the amount of protection to its selling prices, it is obvious that a position might arise when the object of the protective tariff might be entirely defeated.

Secondly, if the price to the consumer of the *Imported* article is increased by the amount of the import duty, and the indigenous production is insufficient to control selling prices, the indigenous product would be sold at the same price as imported supplies by dealers who would pocket the difference, and thus it would be impossible for indigenous producers to make their guarantee effective.

(Copy.)

It is not possible to give an absolute guarantee but always provided that such additions to the import duties are imposed as will secure that an importer cannot in the future depress Indian prices below U. S. A. Gulf price *plus* freight *plus* 10 per cent. *plus* the duties in force to-day, the Burmah Oil Company is prepared to pool its own supplies of kerosene and petrol with supplies imported by Burmah Shell in sufficient quantity to secure the control of the maximum prices realizable from the Indian market; and to contribute its own supplies at a price not higher than U. S. A. Gulf prices *plus* freight *plus* 10 per cent. *plus* to-day's duties, with a deduction of 4 annas for inferior kerosene; and, also, at its own discretion, to contribute 195,000 tons of inferior kerosene per annum at Rs. 2-14-0 *plus* excise duty per unit of 8 gallons bulk, when this represents even cheaper supplies:—

Provided that this undertaking only holds good so long as there exists an adequate margin between costs of production and values of products, taking into consideration the speculative character of the industry;

and provided that if relief from excise duty on kerosene and petrol produced from up to 1,500 barrels of crude oil per diem is granted (if possible as a permanency) the Burmah Oil Company will not contribute its supplies at higher prices than those stated above even to recoup the losses suffered by the present rate war; but that if no such relief is granted the indigenous industry is first allowed to make use of any increase in protection in order to recoup its losses.

The Assam Oil Company would be prepared to associate itself with this undertaking, but we are not authorised to speak on behalf of other indigenous companies.

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(8) *Letter No. 482, dated 10th May 1928, from the Tariff Board, to the Burmah Oil Company, Limited, Rangoon.*

I am directed to request you to forward at the earliest possible date a statement in the attached form to show the actual selling prices *ex* Main Indian Ocean Installations for superior and inferior kerosene of the Kerosene

Pool and the prices of prime white kerosene in bulk f.o.b. Gulf ports for a period of five years.

Kerosene Prices, 1923 to 1928.

—	Kerosene Pool's actual selling price *ex* main Indian Ocean Installation.		Kerosene prime white in bulk f.o.b. Gulf ports.
	Superior.	Inferior.	
1923.			
1st January			
1st April			
1st July			
1st October			
1924.			
1st January			
1st April			
1st July			
1st October			

(9) *Letter No. 498, dated 12th May 1928, from the Tariff Board, to the Burmah Oil Company, Limited, Rangoon.*

I am directed to request you to prepare for the information of the Board a statement to show the quarterly average of the freight and insurance charges for shipping kerosene in bulk from the Gulf ports to India over the past five years, 1923-1927.

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(10) *Letter dated 25th May 1928.*

With reference to your letters Nos. 482 and 498 of 10th and 12th May, we enclose herewith statements showing the prices at which foreign and indigenous kerosene was contributed to the Pool from 1923 to 1927 and the Gulf prices, freights, etc., upon which these contributing prices were based. We regret that quarterly figures are not available and we trust that the half-yearly figures given will meet the Board's requirements. We also enclose a statement showing the Pool's *ex* installation selling prices quarterly from 1923 to the outbreak of the rate war. Since the end of September 1927 the *ex* installation prices have been the actual returns realized which have already been furnished to the Board.

No. 1.—*Kerosene Pool's actual selling prices ex main Indian Ocean Installation.*

		Superior.			Inferior.		
		Rs.	A.	P.	Rs.	A.	P.
1923	January	5	14	0	4	7	0
	April	5	11	6	4	4	6
	July	5	11	6	4	4	6
	October	5	3	0	4	4	6
1924	January	5	3	0	4	10	0
	April	5	8	0	4	10	0
	July	5	12	0	4	10	0
	October	5	12	0	4	10	0
1925	January	5	12	0	4	10	0
	April	5	10	0	4	8	0
	July	5	8	6	4	6	6
	October	5	8	6	4	6	6
1926	January	5	8	6	4	7	6
	April	5	8	6	4	7	6
	July	5	8	6	4	7	6
	October	5	8	6	4	5	6
1927	January	5	12	0	4	6	0
	April	5	12	0	4	6	0
	July	5	12	0	4	6	0

THE BURMAH OIL COMPANY, LIMITED.

No. 2.—*Statement showing the comparison of Gulf port prices and rates at which foreign and indigenous kerosene has been contributed to Pool per unit.*

——	F.o.b. Gulf port prices ruling on date of declarations.	Gulf port equivalent price landed installation (see statements attached).	Foreign oil.				Indigenous oil.	Actual cost to Pool of all oils.
			Declaration price.		Actual cost of contribution.		Average contributing price of	
			Superior.	Inferior.	Superior.	Inferior.	Inferior and Superior.	Foreign and Indigenous.
	Cents per Am. gallon.	Rs. A. P.	Cents.	Rs. A.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
January—June 1923	6½	5 8 3	6½	0 4 less	5 6 6	5 5 11	4 7 10	4 11 7
July—December 1923	5	5 5 8	5	...	5 6 6	5 5 11	4 11 3	4 12 1
January—June 1924	6	5 3 3	6	0 4 less	*Nil*	5 4 0	4 11 0	4 12 7
July—December 1924	6	5 7 11	...	5 8	*Nil*	5 8 0	4 11 2	4 12 11
January—June 1925	6¼	5 0 8	...	5 8	*Nil*	5 4 0	4 12 2	4 13 3
July—December 1925	6	4 13 6	...	5 4	*Nil*	5 0 0	4 9 9	4 12 5
January—June 1926	6¼	4 14 1	...	5 4 & Rs. 5	5 4 0	5 2 0	4 9 7	4 10 9
July—December 1926	9¼	5 13 4	Rs. A. 5 10	5 6	5 10 0	5 4 0	4 9 5	4 10 8
January—June 1927	8	5 13 4	5 13	5 9	5 13 0	5 8 2	4 11 1	4 14 3
July—December 1927	5½	5 1 1	*Nil*	*Nil*	4 1 6	3 6 11	3 15 11	3 15 1

Ex installation price per unit based on American Gulf Port f.o.b. Prices.

	Per Unit. Rs.	A.	P.
January to June, 1922—			
F.o.b. Gulf Port Price=6½ cents per Am. gallon.			
10 Am. gallons=1 Unit.			
∴ For one Unit=65 cents at Exchange $100=Rs. 338	2	3	2
Freight per ton—£3-6-5 at 34·5 units to a ton (based on Time Charter rate at 8*s*. 6*d*. per D. W. T. per month) at Exchange 1/4·592 .	1	6	3
Leakage and Insurance	0	0	6
C.i.f. value .	3	9	11
Profit at 10 per cent. on c.i.f. value	0	5	10
Import Duty, Wharfage and Installation charges (as agreed)	1	8	6
Ex installation price .	5	8	3
July to December, 1923—			
F.o.b. Gulf Port Price=5 cents per Am. gallon.			
10 Am. gallons=1 Unit.			
∴ For one Unit=50 cents at Exchange $100=Rs. 326	1	10	1
Freight per ton—£4-3-11 at 34·5 units to a ton (based on Time Charter rate at 12*s*. 6*d*. per month) at Exchange 1/4·110	1	13	0
Leakage and Insurance	0	0	6
C.i.f. value .	3	7	7
Profit at 10 per cent. on c.i.f. value	0	5	7
Import Duty, Wharfage and Installation charges (as agreed)	1	8	6
Ex Installation price .	5	5	8
January to June, 1924—			
F.o.b. Gulf Port Price=6 cents per Am. gallon.			
10 Am. gallons=1 Unit.			
∴ For one Unit=60 cents at Exchange $100=Rs. 327	1	15	5
Freight per ton—£3-6-7 at 34·5 units to a ton (based on Time Charter at 8*s*. 6*d*. per month) at Exchange 1/5·210	1	5	6
Leakage and Insurance	0	0	6
C.i.f. value .	3	5	5

	Per Unit. Rs.	A.	P.
Profit at 10 per cent. on c.i.f. value	0	5	4
Import Duty, Wharfage and Installation charges (as agreed)	1	8	6
Ex Installation price .	5	3	3

July to December, 1924—

	Rs.	A.	P.
F.o.b. Gulf Port Price=6 cents per Am. gallon.			
10 Am. gallons=1 Unit.			
∴ For one Unit=60 cents at Exchange $100=Rs. 333	2	0	0
Freight per ton—£3-17-4 at 34·5 units to a ton (based on Time Charter rate at 11*s*. 6*d*. per month) at Exchange 1/5·107	1	9	2
Leakage and Insurance	0	0	6
C.i.f. value .	3	9	8
Profit at 10 per cent. on c.i.f. value	0	5	9
Import Duty, Wharfage and Installation charges (as agreed)	1	8	6
Ex Installation price .	5	7	11

January to June, 1925—

	Rs.	A.	P.
F.o.b. Gulf Port Price—=6¼ cents per Am. gallon.			
10 Am. gallons=1 Unit.			
∴ For one Unit=62·5 cents at Exchange $100=Rs. 292	1	13	2
Freight per ton—£3-9-0 at 34·5 units to a ton (based on Time Charter rate at 8*s*. 6*d*. per month) at Exchange 1/5·949	1	5	5
Leakage and Insurance	0	0	6
C.i.f. value .	3	3	1
Profit at 10 per cent. on c.i.f. value	0	5	1
Import Duty, Wharfage and Installation charges (as agreed)	1	8	6
Ex Installation price .	5	0	8

	Per Unit. Rs.	a.	p.
July to December, 1925—			
F.o.b. Gulf Port Price—=6 cents per Am. gallon.			
10 Am. gallons=1 Unit.			
∴ For one Unit=60 cents at Exchange \$100=Rs. 277	1	10	7
Freight per ton—£3-8-7 at 34·5 units to a ton (based on Time Charter rate at 8*s*. 6*d*. per month) at Exchange 1/6·097	1	5	1
Leakage and Insurance	0	0	6
C.i.f. value .	3	0	2
Profit at 10 per cent. on c.i.f. value	0	4	10
Import Duty, Wharfage and Installation charges (as agreed)	1	8	6
Ex Installation price .	4	13	6
January to June, 1926—			
F.o.b. Gulf Port Price=6¼ cents per Am. gallon.			
10 Am. gallons=1 Unit.			
∴ For one Unit=62·5 cents at Exchange \$100=Rs. 274½	1	11	6
Freight per ton—£3-7-9 at 34·5 units to a ton (based on Timber Charter rate at 8*s*. 6*d*. per month) at Exchange 1/6·175	1	4	9
Leakage and Insurance	0	0	6
C.i.f. value .	3	0	9
Profit at 10 per cent. on c.i.f. value	0	4	10
Import Duty, Wharfage and Installation charges (as agreed)	1	8	6
Ex Installation price .	4	14	1
July to December, 1926—			
F.o.b. Gulf Port Price=9¼ cents per Am. gallon.			
10 Am. gallons=1 Unit.			
∴ For one Unit=92·5 cents at Exchange \$100=Rs. 277	2	9	0
Freight per ton—£3-7-9 at 34·5 units to a ton (based on Time Charter rate at 8*s*. 6*d*. per month) at Exchange 1/5·907	1	5	1
Leakage and Insurance	0	0	6
C.i.f. value .	3	14	7

	Per Unit. Rs. A. P.
Profit at 10 per cent. on c.i.f. value	0 6 3
Import Duty, Wharfage and Installation charges (as agreed)	1 8 6
Ex Installation price .	5 13 4

January to June, 1927—

F.o.b. Gulf Port Price=8 cents. per Am. gallon.	
10 Am. gallons=1 Unit.	
∴ For one Unit=80 cents. at Exchange \$100=Rs. 279	2 3 9
Freight per ton—£4-5-1 at 34·5 units to a ton (based on Time Charter rate at 12*s*. 6*d*. per month) at Exchange 1/6·011	1 10 4
Leakage and Insurance	0 0 6
C.i.f. value .	3 14 7
Profit at 10 per cent. on c.i.f. value	0 6 3
Import Duty, Wharfage and Installation charges (as agreed)	1 8 6
Ex Installation price .	5 13 4

July to December, 1927—

F.o.b. Gulf Port Price=5½ cents per Am. gallon.	
10 Am. gallons=1 Unit.	
∴ For one Unit=55 cents at Exchange \$100=Rs. 277	1 8 5
Freight per ton—£4-5-1 at 34·5 units to a ton (based on Time Charter rate at 12*s*. 6*d*. per month) at Exchange 15·853	1 10 6
Leakage and Insurance	0 0 6
C.i.f. value .	3 3 5
Profit at 10 per cent. on c.i.f. value	0 5 2
Import Duty, Wharfage and Installation charges (as agreed)	1 8 6
Ex Installation price .	5 1 1

(11) *Letter dated the 25th May 1928.*

As requested by the President during our recent visit to Maymyo, we enclose herewith sundry statements showing the cost of indigenous and foreign kerosene contributed to the Pool each half year from January 1926 to

December 1927. We also enclose a statement showing the present day *ex* installation prices realised per unit for all spheres.

We return herewith the President's rough calculations as requested.

THE BURMA OIL COMPANY, LIMITED.

Present day ex Installation Prices Realised per Unit of 8 Gallons.

—	Superior.	Inferior.	Average.
	Rs. a. p	Rs. a. p.	Rs. a. p.
Burma-Shell—			
Area, India	3 15 5	3 3 0	3 8 5
Burma Area	5 9 2	4 2 3	4 11 9
Assam Sphere	...	3 6 8	3 6 8
Outside Assam Sphere . . .	...	1 7 0	1 7 0
Chittagong Sphere	4 6 4	3 7 10	3 8 9

Indigenous Oil No. 1.

TOTAL CONTRIBUTION—JANUARY TO JUNE 1926.

Superior Kerosene.

—	Units.	At	Rs.
		Rs. a. p.	
O/A, B. O. C.	2,793,716	5 4 0	1,46,67,009
O/A, B. B. P. C.	258,156	5 4 0	13,55,319
O/A, Assam	2,605	5 4 0	13,676
Total .	3,054,477	...	1,60,36,004

TOTAL CONTRIBUTION—JANUARY TO JUNE 1926—*contd.*

Surplus Inferior Kerosene.

—	Units.		At	Rs.
			Rs. a. p.	
O/A, B. O. C.—				
Total Inferior . .	4,798,370			
Deduct 3-6-0 . .	2,999,449	1,798,921	5 4 0	94,44,335
O/A, Assam—				
Total Inferior . .	575,547			
Deduct 3-6-0 . . .	53,577	521,970	5 4 0	27,40,343
O/A, B. B. P. C.—				
Total Inferior . .	917,819			
Deduct 3-6-0 . . .	213,224	734,595	5 4 0	38,56,624
Total .		3,055,486		1,60,41,302

3-6-0 Inferior Kerosene.

—	Units.	At	Rs.
		Rs. a. p.	
O/A, B. O. C.	2,999,449	3 6 0	1,01,23,140
O/A, Assam	53,577	3 6 0	1,80,822
O/A, B. B. P. C.	213,224	3 6 0	7,19,631
Total .	3,266,250	...	1,10,23,593

Indigenous Oil No. 2.

TOTAL CONTRIBUTION—JULY TO DECEMBER 1926.

Superior Kerosene.

—	Units.	At	Rs.
		Rs. a. p.	
O/A, B. O. C.	2,874,100	5 5 0	1,52,68,656
O/A, B. B. P. C.	356,875	5 5 0	18,95,899
O/A, Assam	3,306	5 5 0	17,563
Total .	3,234,281	...	1,71,82,118

TOTAL CONTRIBUTION—JULY TO DECEMBER 1926—*contd.*

Surplus Inferior Kerosene.

—	Units.		At	Rs.
			Rs. a p.	
O/A, B. O. C.—				
Total Inferior . .	4,790,121			
Deduct 3-6-0 . . .	3,095,072	1,695,049	5 3 0	87,93,067
O/A, Assam—				
Total Inferior . .	607,248			
Deduct 3-6-0 . . .	72,168	535,080	5 3 0	27,75 727
O/A, B. B. P. C. . . .	588,250			
Deduct 3-6-0 . . .	99,010	489,240	5 3 0	25,37,933
Total .		2,719,369	...	1,41,06,727

3-6-0 Inferior Kerosene.

—	Units.	At	Rs.
		Rs. a. p.	
O/A, B. O. C.	3,095,072	3 6 0	1,04,45,868
O/A, Assam	72,168	3 6 0	2,43,567
O/A, B. B. P. C.	99 010	3 6 0	3,34,159
Total .	32,66,250	...	110,23,594

Indigenous Oil No. 3.

TOTAL CONTRIBUTION—JANUARY TO JUNE 1927.

Superior Kerosene Oil.

—	Units.	At	Rs.
		Rs. a. p.	
O/A, B. O. C.	2,883,693	5 8 0	1,58,60,312
O/A, B. B. P. C.	408,788	5 8 0	22,48,334
O/A, Assam	4,795	5 8 0	26,372
Total .	3,297,276	...	1,81,35,018

TOTAL CONTRIBUTION—JULY TO DECEMBER 1926—*contd.*

Surplus Inferior Kerosene.

—	Units.		At	Rs.
O/A, B. O. C.—			Rs. a. p.	
Total Inferior	4,407,939			
Deduct 3-6-0	3,006,516	1,401,423	5 6 0	75,32,649
O/A, Assam—				
Total Inferior	629,625			
Deduct 3-6-0	94,087	535,538	5 6 0	28,78,517
O/A, B. B. P. C.—				
Total Inferior	665,194			
Deduct 3-6-0	165,647	499,547	5 6 0	26,85,065
Total .		2,436,508		1,30,96,231

3-6-0 Inferior Kerosene.

—	Units.	At	Rs.
		Rs. a. p.	
O/A, B. O. C.	3,006,516	3 6 0	1,01,46,991
O/A, Assam	94,087	3 6 0	3,17,544
O/A, B. B. P. C.	165,647	3 6 0	5,59,059
Total .	3,266,250		1,10,23,594

Indigenous Oil No. 4.

TOTAL CONTRIBUTION—JULY TO DECEMBER 1927.

Superior Kerosene.

—	Unit.	Rs.	Unit.	Rate.	Rs.
B. O. C.—					
July to Sept. . .	1,192,193	64,79,793			
Oct. to Decr. . .	1,609,514	68,46,047	2,801,707	4·75633	1,33,25,840
B. B. P. C.—					
July to Sept. O/A, B. O. C.	104,688	5,68,649			
Do. O/A, A. P. C.	84,533	4,59,360			
Oct. to Dec. O/A, B. O. C.	87,368	3,69,539			
Do. O/A, A. P. C.	66,088	2,80,083	342,777	4·89423	16,77,631
A. O. C.—					
July to Sept. . .	2,388	13,055			
Oct. to Dec. . .	1,308	5,651	3,696	5·06115	18,706
Total .			3,148,180	4·771702	1,50,22,177

TOTAL CONTRIBUTION—JULY TO DECEMBER 1927—*contd.*

Surplus Inferior Kerosene.

—	Unit.	Rs.	Unit.	Rate.	Rs.
B. O. C.—					
July to Sept. . .	710,371	36,76,526			
Oct. to Dec. . .	1,078,773	33 28,863	1,789,144	3·91550	70,05,389
B. B. P. C.—					
July to Sept. O/A, B. O. C.	140,974	7,49,766			
Do. O/A, A. P. C.	96,367	5,12,766			
Oct. to Dec. O/A., B. O. C.	157,377	4,84,574			
Do. O/A, A. P. C.	100,832	3,10,449	495,550	4·15206	20,57,555
A. O. C.—					
July to Sept. . .	266,978	14,18,448			
Oct. to Dec. . . .	249,177	7,70,134	516,155	4·24016	21,88,582
Total .			2,800,849	4·017184	11,25,152

Indigenous Oil No. 4.

TOTAL CONTRIBUTION JULY TO DECEMBER 1927.

3-6-0 Inferior Kerosene Oil.

—	Unit.	Rs.	Unit.	Rate.	Rs.
B. O. C.—					
July to Sept. . .	15,59,307	51,95,161			
Oct. to Dec. . . .	15,50,982	47,71,864	30,90,289	3·22527	99,67,025
B. B. P. C.—					
July to Sept. B. O. C. .	28,166	95,060			
Do. A. P. C. .	19,253	64,984			
Oct. to Dec. B. O C.	21,609	65,866			
Do. A. P. C. .	13,785	41,692	82,813	3·22536	2,67,102
A. O. C.—					
July to Sept. . .	46,397	1,56,590			
Oct. to Dec. . .	46,749	1,43,869	93,146	3·22568	3,00,459
Total .			3,266,248	3·225287	1,05,34,586

Foreign Oil No 5.

TOTAL CONTRIBUTION.

—	Units.	At Rs.	Rs.
January to June 1927.			
Superior Kerosene	1,135,620	5·812502	66,00,794
Inferior Kerosene	1,141,133	5·508829	62,86,307
July to December 1927.			
Superior Kerosene—			
July to September	*Nil.*	...	...
October	*Nil.*	...	...
November	273,537	4·201	11,49,129
December	302,997	3·996	12,10,776
Total .	576,534	4·093264	23,59,905
Inferior Kerosene—			
July to September . . .	190,172	5·471	10,40,440
October	146,295	3·271	4,78,531
November	323,549	3·011	9,74,206
December	472,159	2·947	13,91,453
Total .	1,132,175	3·431121	38,84,630

Foreign Oil No. 6.

TOTAL CONTRIBUTION.

—	Units.	At Rs.	Rs.
January to June 1926.			
Superior Kerosene Oil . . .	393,582	5·250003	20,82,057
Inferior Kerosene Oil . . .	1,064,435	5·116413	54,46,089
July to December 1926.			
Superior Kerosene	464,318	5·625009	26,11,793
Inferior Kerosene	447,354	5·247361	23,47,428

No. 1-A.

STATEMENT SHOWING AVERAGE PRICE PER UNIT OF INDIGENOUS INFERIOR KEROSENE OIL.

—	Units.		Rs.
January to June 1926.			
As per Statement No. 1 Surplus Inferior Kerosene.	3,055,486	...	1,60,41,302
As per Statement No. 1 3-6-0 Oil .	3,266,250	...	1,10,23,593
Average per Unit .	6,321,736	4·281244	2,70,64,895
July to December 1926.			
As per Statement No. 2 Surplus Inferior Kerosene.	2,719,369	...	1,41,06,727
As per Statement No. 2 3-6-0 Oil .	3,266,250	...	1,10,23,594
Average per Unit .	5,985,619	4·198450	2,51,30,321
January to June 1927.			
As per Statement No. 3 Surplus Inferior Kerosene.	2,436,508	...	1,30,96,231
As per Statement No. 3 3-6-0 Oil .	3,266,250	...	1,10,23,594
Average per Unit .	5,702,758	4·229502	2,41,19,825
July to December 1927.			
As per Statement No. 4 Surplus Inferior Kerosene.	2,800,849	...	1,12,51,526
As per Statement No. 4 3-6-0 Oil .	3,266,248	...	1,05,34,586
Average per Unit .	6,067,097	3·590863	2,17,86,112

No. 2-A.

STATEMENT SHOWING AVERAGE CONTRIBUTING PRICE PER UNIT OF INDIGENOUS INFERIOR AND SUPERIOR KEROSENE OIL.

—	Units.		Rs.
January to June 1926.			
As per Stat. No. 1 Sup. Ker. . .	3,954,477	...	1,60,36,004
Do. No. 1 A. Total Inf. Ker.	6,321,736	...	2,70,64,895
Sup. and Inf. average per unit .	9,376,213	4.596834	4,31,00,899
July to December 1926.			
As per Stat. No. 2 Sup. Ker. . .	3,234,281	...	1,71,82,118
Do. No. 1 A. Total Inf. Ker.	5,985,619	...	2,51,30,321
Total .	9,219,900	4·589251	4,23,12,439
January to June 1927.			
As per Stat. No. 3 Sup. Ker. . .	3,297,276	...	1,81,35,018
Do. No. 1 A. Total Inf. .	5,702,758	...	2,41,19,825
Total .	9,000,034	4·694965	4,22,54,843
July to December 1927.			
As per Stat. No. 4 Sup. Ker. .	3,148,180	...	1,50,22,177
Do. No. 1 A. Total Inf. .	6,067,097	...	2,17,86,112
Total .	9,215,277	3·994263	3,68,08,289

No. 3-A.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE FOR FOREIGN INFERIOR AND SUPERIOR OIL.

—	Units.		Rs.
January to June 1926.			
Foreign Sup. Ker.	396,582	...	20,82,057
Do. Inf. Ker. . . .	1,064,435	...	54,46,089
Total .	1,461,017	5·152675	75,28,146

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE FOR FOREIGN INFERIOR AND SUPERIOR OIL—*cont.*

—	Units.		Rs.
July to December 1926.			
Foreign Sup. Ker.	464,318	...	26,11,793
Do. Inf. Ker.	447,354	...	23,47,428
Total .	911,672	5·439699	49,59,221
January to June 1927.			
Foreign Sup. Ker.	1,135,620	...	66,00,794
Do. Inf. Ker.	1,141,133	...	62,86,307
Total .	2,276,753	5·660298	1,28,87,101
July to December 1927.			
Foreign Sup. Ker.	576,534	...	23,59,905
Do. Inf. Ker.	1,132,175	...	38,84,630
Total .	1,708,709	3·654534	62,44,535

No. 4-A.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF FOREION AND INDIGENOUS INFERIOR KEROSENE OIL.

—	Units.		Rs.
January to June 1926.			
Total Indigenous Inferior Kerosene as per Statement No. 1A.	6,321,736	...	2,70,64,895
Total Foreign Inferior Kerosene as per Statement No. 6.	1,064,435	...	54,46,089
Total .	7,386,171	4·401602	3,25,10,984
July to December 1926.			
Total Indigenous Inferior Kerosene as per Statement No. 1A.	5,985,619	...	2,51,30,321
Total Foreign Inferior Kerosene as per Statement No. 6.	447,354	...	23,47,428
Total .	6,432,973	4·271392	2,74,77,749

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF FOREIGN AND INDIGENOUS INFERIOR KEROSENE OIL—*contd.*

—	Units.		Rs.
January to June 1927.			
Total Indigenous Inferior Kerosene as per Statement No. 1A.	5,702,758	...	2,41,19,825
Total Foreign Inferior Kerosene as per Statement No. 5.	1,141,133	...	62,86,307
Total .	6,843,891	4·442813	3,04,06,132
July to December 1927.			
Total Indigenous Inferior Kerosene as per Statement No. 1A.	6,067,097	...	2,17,86,112
Total Foreign Inferior Kerosene as per Statement No. 5.	1,132,175	...	38,84,630
Total .	7,199,272	3·565741	2,56,70,742

No. 5-A.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF FOREIGN AND INDIGENOUS SUPERIOR KEROSENE OIL.

—	Units.		Rs.
January to June 1926.			
Indigenous Sup. Ker. per Stat. No. 1 .	3,054,477	...	1,60,36,004
Foreign „ „ „ „ No. 6 .	396,582	...	20,82,057
Total .	3,451,059	5·250000	1,81,18,061
July to December 1926.			
Indigenous Sup. Ker. per Stat. No. 2 .	3,234,281	...	1,71,82,118
Foreign „ „ „ „ No. 6 .	464,318	...	26,11,793
Total .	3,698,599	5·351732	1,97,93,911
January to June 1927.			
Indigenous Sup. Ker. per Stat. No. 3 .	3,297,276	...	1,81,35,018
Foreign „ „ „ „ No. 5 .	1,135,620	...	66,00,794
Total .	4,432,896	5·580057	2,47,35,812
July to December 1927.			
Indigenous Sup. Ker. per Stat. No. 4 .	3,148,180	...	1,50,2[illegible],177
Foreign „ „ „ „ No. 5 .	576,534	...	23,59,905
Total .	3,724,714	4·666689	1,73,82,082

No. 6-A.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF ALL FOREIGN AND INDIGENOUS KEROSENE OIL.

—	Units.		Rs.
January to June 1926.			
Total Inferior Ker. per Statement No. 4-A.	7,386,171	...	3,25,10,984
Total Superior Ker. per Statement No. 5-A.	3,451,059	...	1,81,18,061
Total .	10,837,230	4·671770	5,06,29,045
July to December 1926.			
Total Inferior Ker. per Statement No. 4-A.	6,432,973	...	2,74,77,749
Total Superior Ker. per Statement No. 5-A.	3,698,599	...	1,97,93,911
Total .	10,131,572	4·665777	4,72,71,660
January to June 1927.			
Total Inferior Ker. per Statement No. 4-A.	6,843,891	...	3,04,06,132
Total Superior Ker. per Statement No. 5-A.	4,432,896	...	2,47,35,812
Total .	11,276,787	4·889863	5,51,41,944
July to December 1927.			
Total Inferior Ker. per Statement No. 4-A.	7,199,272	...	2,56,70,742
Total Superior Ker. per Statement No. 5-A.	3,724,714	...	1,73,82,082
Total	10,923,986	3·941128	4,30,52,824

No. 1-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR KEROSENE OIL CONTRIBUTED BY B. O. C. (INCLUDING BURMAH AND CHITTAGONG).

	Units.		Rs.
January to June 1926.			
Total Surplus Inferior as per Statement No. 1.	1,798,921	...	94,44,335
Total 3-6-0 as per Statement No. 1 .	2,999,449	...	1,01,23,140
Total .	4,798,370	4·077942	1,95,67,475

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR KEROSENE OIL CONTRIBUTED BY B. O. C. (INCLUDING BURMAH AND CHITTAGONG)—*contd.*

	Units.		Rs.
July to December 1926.			
Total Surplus Inferior as per Statement No. 2.	1,695,049	...	87,93,067
Total 3-6-0 as per Statement No. 2 .	3,095,072	...	1,04,45,868
Total .	4,790,121	4·016378	1,92,38,935
January to June 1927.			
Total Surplus Inferior as per Statement No 3.	1,401,423	...	75,32,649
Total 3-6-0 as per Statement No. 3 .	3,006,516	...	1,01,46,991
Total .	4,407,939	4·010863	1,76,79,640
July to December 1927.			
Total Surplus Inferior as per Statement No. 4.	1,789,144	...	70,05,389
Total 3-6-0 as per Statement No. 4 .	3,090,289	...	99,67,025
Total .	4,879,433	3·478358	1,69,72,414

No. 2-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF SUPERIOR KEROSENE OIL CONTRIBUTED BY B. O. C. (INCLUDING BURMA AND CHITTAGONG).

			Rs.
	January to June 1926.		
Units	2,793,716	5·250000	1,46,67,009
	July to December 1926.		
„	2,874,100	5·312500	1,52,68,656
	January to June 1927.		
„	2,883,693	5·500000	1,58,60,312
	July to December 1927.		
„	2,801,707	4·756329	1,33,25,840

No. 3-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR AND SUPERIOR KEROSENE OIL CONTRIBUTED BY B. O. C. (INCLUDING BURMA AND CHITTAGONG).

	Units.		Rs.
January to June 1926.			
Total Inferior as per Statement (1-B) .	4,793,370	...	1,95,67,475
„ Superior do. (2-B) .	2,793,716	...	1,46,67,009
Total .	7,592,086	4·509234	3,42,34,484
July to December 1926.			
Total Inferior as per Statement (1-B) .	4,790,121	...	1,92,38,935
„ Superior do. (2-B) .	2,874,100	..	1,52,68,656
Total .	7,664,221	4·502426	3,45,07,591
January to June 1927.			
Total Inferior as per Statement (1-B) .	4,407,939	...	1,76,79,640
„ Superior do. (2-B) .	2,883,693	..	1,58,60,312
Total .	7,291,632	4·599787	3,35,39,952
July to December 1927.			
Total Inferior as per Statement (1-B) .	4,879,433	...	1,69,72,414
„ Superior do. (2-B) .	2,801,707	...	1,33,25,840
Total .	7,681,140	3·944500	3,02,98,254

No. 4-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR KEROSENE CONTRIBUTED BY B. B. P. C. (INCLUDING BURMA AND CHITTAGONG).

	Unit.	At Rs.	Rs.
January to June 1926.			
Surplus Inferior per Statement No. 1	734,595	5·2500	38,56,624
3-6-0 Oil „ „ „	213,224	3·3750	7,19,631
Total .	947,819	4·82819	45,76,255

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR KEROSINE CONTRIBUTED BY B. B. P. C. (INCLUDING BURMA AND CHITTAGONG)—*contd.*

—	Unit.	At Rs.	Rs.
July to December 1926.			
Surplus Inferior Ker. Statement No. 2	489,240	5·1875	25,37,933
3/6/— „ „ „	99,010	3·375	3,34,159
Total .	588,250	4·88243	28,72,092
January to June 1927.			
Surplus Inferior Ker. Statement No. 3	499,547	5·375	26,85,065
3/6/— „ „ „	165,647	3·375	5,59,059
Total .	665,194	4·87696	32,44,124
July to December 1927.			
Surplus Inferior Ker. Statement No. 4	495,550	4·15206	20,57,555
3/6/— „ „ „	82,813	3·22536	2,67,102
Total .	578,363	4·01937	23,24,657

No. 5·B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF SUPERIOR KEROSENE CONTRIBUTED BY B. B. P. C. (INCLUDING BURMA AND CHITTAGONG).

—	Unit.	At Rs.	Rs.
January to June 1926.			
As per Statement No. 1	258,156	5·250000	13,55,319
July to December 1926.			
As per Statement No. 2	356,875	5·312501	18,95,899
January to June 1927.			
As per Statement No. 3	408,788	5·500000	22,48,334
July to December 1927.			
As per Statement No. 4	342,777	4·894234	16,77,631

No. 6-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR AND SUPERIOR KEROSENE CONTRIBUTED BY B. B. P. C. (INCLUDING BURMA AND CHITTAGONG).

—	Unit.	At Rs.	Rs.
January to June 1926.			
Inferior as per Statement (4-B) . .	947,819	...	45,76,255
Superior „ „ (5-B) . .	258,156	...	13,55,319
Total .	1,205,975	4·918488	59,31,574
July to December 1926.			
Inferior as per Statement (4-B) . .	588,250	...	28,72,092
Superior „ „ (5-B) . .	356,875	...	18,95,899
Total .	945,125	5·044826	47,67,991
January to June 1927.			
Inferior as per Statement (4-B) . .	6,65,194	...	32,44,124
Superior „ „ (5-B) . .	4,08,788	...	22,48,334
Total .	1,073,982	5·114106	54,92,458
July to December 1927.			
Inferior as per Statement (4-B) . .	578,863	...	23,24,657
Superior „ „ (5-B) . .	342,777	...	16,77,631
Total .	921,140	4·344929	40,02,288

No. 7-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR KEROSENE OIL CONTRIBUTED BY ASSAM OIL COMPANY.

—	Unit.	At Rs.	Rs.
January to June 1926.			
Surplus Inferior Ker (per Stt. No. 1)	521,970	...	27,40,343
3/6/0 „ „ „	53,577	...	1,80,822
Total .	575,547	5·07546	29,21,165

No. 7-B—*contd.*

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR KEROSENE OIL CONTRIBUTED BY ASSAM OIL COMPANY—*contd.*

—	Unit.	At Rs.	Rs.
July to December 1926.			
Surplus Inferior Ker. (per Stt. No. 2)	535,080	..	27,75,727
3/6/- „ „ „	72,168	...	2,43,567
Total .	607,248	4·97209	30,19,294
January to June 1927.			
Surplus Inferior Ker. (per. Stt. No. 3)	535,538	...	28,78,517
3/6/- „ „ „	94,087	...	3,17,544
Total .	629,625	5·07613	31,96,061
July to December 1927.			
Surplus Inferior Ker. (per Stt. No. 4)	516,155	...	21,88,582
3/6/- „ „ „	93,146	...	3,00,459
Total .	609,301	4·08508	24,89,041

No. 8-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF SUPERIOR KEROSENE CONTRIBUTED BY ASSAM OIL COMPANY.

—	Unit.	At Rs.	Rs.
January to June 1926.			
Statement No. 1	2,605	5·249904	13,676
July to December 1926.			
Statement No. 2	3,306	5·312462	17,563
January to June 1927.			
Statement No. 3	4,795	5·499596	26,372
July to December 1927.			
Statement No. 4	3,696	5·061147	18,706

No. 9-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR AND SUPERIOR KEROSENE CONTRIBUTEDBY ASSAM OIL COMPANY.

—	Unit.	At Rs.	Rs.
January to June 1926.			
Inferior as per Statement (7-B) . .	5,75,547	...	29,21,165
Superior " " " (8-B) . .	2,605	...	13,676
Total .	578,152	5076245	29,34,841
July to December 1926.			
Inferior as per Statement (7-B) . .	607,248	...	30,19,294
Superior " " " (8-B) . .	3,306	...	17,563
Total .	610,554	4·973937	30,36,857
January to June 1927.			
Inferior as per Statement (7-B) .	6,29,625	...	31,96,061
Superior " " " (8-B) . .	4,795	...	26,372
Total .	634,420	5·079337	32,22,433
July to December 1927.			
Inferior as per Statement (7-B) . .	609,301	...	24,89,041
Superior " " " (8-B) . .	3,696	...	18,706
	612,997	4·090961	25,07,747

No. 10-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR KEROSENE OIL CONTRIBUTED BY B. O. C. (EXCLUDING BURMA AND CHITTAGONG).

—		Rs.	Unit.	Rs.	Rs.
January to June 1926.					
Total Contribution per Statement No. 1-B.	...	...	4,798,370	...	1,95,67,475
Deduct— A/c Burma and Chittagong—					
O/a Surplus Inf. . .	313,644	16,46,631	...	..	...
O/a 3/6-Oil . . .	522,9[illegible]8	17,64,983	836,602	...	34,11,614
Total .	...	...	3,961,768	4·07794	1,61,55,861

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR KEROSENE OIL CONTRIBUTED BY B. O. C. (EXCLUDING BURMA AND CHITTAGONG).—*contd.*

—		Rs.	Unit.	Rs.	Rs.
July to December 1926.					
Total Contribution per Statement No. 1-B.	...	...	4,790,121	...	1,92,38,935
Deduct—					
O/a Burma and Chittagong—					
O/a Surplus Inf. . .	347,043	18,00,286	...	...	...
O/a 3/6—Oil . . .	633,683	21,38,680	980,726	...	39,38,966
Total .	...	...	3,809,395	4·01638	1,52,99,969
January to June 1927.					
Total Contribution per Statement No. 1-B.	...	...	4,407,939	...	1,76,79,640
Deduct—					
O/a Burma and Chittagong—					
O/a Surplus Inf. . .	311,141	16,72,383	...	...	...
O/a 3/6—Oil . . .	667,499	22,52,809	978,640	...	39,25,192
Total .	...	...	3,429,299	4·01086	1,37,54,448
July to December 1927.					
Total Contribution per Statement No. 1-B.	...	...	4,879 433	...	1,69,72,414
Deduct—					
O/a Burma and Chittagong—					
O/a Surplus Inf. . .	309,008	12,09,766	...	...	...
O/a 3/6—Oil . . .	533,732	17,21,286	842,740	...	29,31,052
Total .	...	...	4,036,693	3·47843	1,40,41,362

No. 11-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF SUPERIOR KEROSENE OIL CONTRIBUTED BY B. O. C. (EXCLUDING CHITTAGONG AND BURMA.)

—	Unit.	At Rs.	Rs.
January to June 1926.			
Total Superior Ker. per Statement (No. 2-B)	2,793,716	...	1,46,67,009
Deduct—			
Burma and Chittagong . . .	338,182	...	17,75,455
Total India .	2,455,534	5·25000	1,28,91,554
July to December 1926.			
Total Superior Ker. per Statement (No. 2-B)	2,874,100	...	1,52,68,656
Deduct—			
Burma and Chittagong . . .	308,392	...	16,38,332
Total India .	2,565,708	5·31250	1,36,30,324
January to June 1927.			
Total Superior Ker. per Statement (No. 2-B)	2,883,693	...	1,58,60,312
Deduct—			
Burma and Chittagong . . .	394,706	...	21,70,883
Total India .	2,488,987	5·50000	1,36,89,429
July to December 1927.			
Total Superior Ker. per Statement (No. 2-B)	2,801,707	...	1,33,25,840
Deduct—			
Burma and Chittagong . . .	371,029	...	17,64,614
Total India .	2,430,678	4·75638	1,15,61,226

No. 12-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR AND SUPERIOR KEROSENE CONTRIBUTED BY B. O. C. (EXCLUDING BURMA AND CHITTAGONG.)

—	Units.	At Rs.	Rs.
January to June 1926.			
Total Inferior as a per Statement 10-B.	3,961,768	..	1,61,55 861
Total Superior as per Statement 11-B	2,455,534	...	1,28,91,554
Total	6,417,302	4·52642	2,90,47,415
July to December 1926.			
Total Inferior as per Statement 10-B .	3,809,395	...	1 52,99,969
Total Superior as per Statement 11-B .	2,565,708	...	1,36,30,324
Total	6,375,103	4·53831	2,89,30,293
January to June 1927.			
Total Inferior as per Statement 10-B .	3,429,299	...	1,37,54,448
Total Superior as per Statement 11-B .	2,488,987	...	1,36,89,429
Total .	5,918,286	4·63718	2,74,43,877
July to December 1927.			
Total Inferior as per Statement 10-B	4,036,693	...	1,40,41,362
Total Superior as per Statement 11-B .	2,430,678	...	1,15,61,226
Total .	6,467,371	3·95873	2,56,02,588

No. 13-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF INFERIOR KEROSENE CONTRIBUTED BY B. B. P. C. (EXCLUDING BURMA AND CHITTAGONG).

—	Units.	Rs.		Rs.	Rs.
January to June 1926.					
Total Inferior Ker. per Statement No. 4-B.	...	...	947,819	...	45,76,255
Deduct—					
Burma and Chittagong—					
O/a. Surplus Inferior .	140,276	7,36,449	...	...	...
O/a 3/6/- „ „ .	40,846	1,37,855	181,122	...	8,74,304
Total India .	...	...	766,697	4·828441	37,01,951
July to December 1926.					
Total Inferior Ker. per Statement No. 4-B.	...	...	588,250	...	28,72,092
Deduct—					
Burma and Chittagong—					
O/a Surplus Inferior	90,792	70,984	...	...	...
O/a 3/6/- „ „	18,420	62,168	109,212	...	5,33,152
Total India .	...	...	479,038	4·882577	23,38,940
January to June 1927.					
Total Inferior Ker. per Statement No. 4-B.	...	...	665,194	...	32,44,124
Deduct—					
Burma and Chittagong—					
O/a Surplus Inferior	104,079	5,59,425	...	...	...
O/a 3/6/- „ „	34,590	1,16,741	138,669	...	6,76,166
Total India .	...	...	526,525	4·877181	25,67,958
July to December 1927.					
Total Inferior Ker. per Statement No. 4-B.	...	...	578,363	...	23,24,657
Deduct—					
Burma and Chittagong—					
O/a Surplus Inferior	96,883	4,02,258	...	...	...
O/a 3/6/- „ „	16,190	52,213	113,073	...	4,54,471
Total India .	...	...	465,290	4·019397	18,70,186

No. 14-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT OF SUPERIOR KEROSENE CONTRIBUTED BY B. B. P. C. (EXCLUDING BURMA AND CHITTAGONG).

—	Units.	Rs.	Rs.
January to June 1926.			
As per Statement No. 5-B . . .	258,156	..	13,55,319
Deduct—			
Burma and Chittagong . . .	29,297	..	1,53,809
Total India .	228,859	5·250001	12,01,510
July to December 1926.			
As per Statement No. 5-B . . .	356,875	...	18,95,899
Deduct—			
Burma and Chittagong . . .	38,089	...	2,02,348
Total India .	318,786	5·312501	16,93,551
January to June 1927.			
As per Statement No. 5-B . . .	403,788	...	22,48,334
Deduct—			
Burma and Chittagong . . .	52,601	...	2,89,305
Total India .	356,187	5·500001	19,59,029
July to December 1927.			
As per Statement No. 5-B . .	342,777	...	16,77,631
Deduct—			
Burma and Chittagong . .	41,905	...	2,05,083
Total India .	300,872	4·894267	14,72,548

No. 15-B.

STATEMENT SHOWING AVERAGE CONTRIBUTION PRICE PER UNIT INFERIOR AND SUPERIOR KEROSENE OIL-CONTRIBUTED BY B. B. P. C. (EXCLUDING BURMA AND CHITTAGONG).

—	Units.	Rs.	Rs.
January to June 1926.			
Total Inferior as per Statement No. 13-B	766,697	...	37,01,951
„ Superior „ „ No. 14-B	228,859	...	12,01,510
Total .	995,556	14·925349	49,03,461
July to December 1926.			
Total Inferior as per Statement No. 13-B	479,038	...	23,38,940
„ Superior „ „ No. 14-B	318,786	...	16,93,551
Total	797,824	5·054362	40,32,491
January to June 1927.			
Total Inferior as per Statement No. 13-B	526,525	...	25,67,958
„ Superior „ „ No. 14-B	356,187	...	19,59,029
Total .	882,712	5·128498	45,26,987
July to December 1927.			
Total Inferior as per Statement No. 13-B	465,290	...	18,70,186
„ Superior „ „ No. 14-B	300,872	...	14,72,548
Total .	766,162	4·362960	33,42,734

(12) *Letter dated 25th May, 1928.*

We have the honour to supply the following answers to certain questions asked during examination by the Board:—

(1) Our Principals have no information as to the prices paid by the Royal Dutch Shell and others for Russian kerosene prior to 1926. They suggest that enquiry on this point be addressed to the representative of the Asiatic Petroleum Company, Limited.

(2) The compensation arrangement was discussed with the Asiatic Petroleum Company at the opening of the rate war, but agreement was not reached until some time after the outbreak. The reasons why no mention of this arrangement was made in the joint representation to the Government of India, dated 15th December 1927, were, firstly, that some of the signatories to that representation were not affected by the arrangement, and, secondly, there was no evidence at that time that any relief would result.

(3) Negotiations between the Asiatic Petroleum Company, Limited, and the Anglo-Persian Oil Company, Limited, regarding participation in markets were not confined to India, but included other Eastern countries and had been carried on for a considerable time before the opening of the rate war in India. Agreement in principle had been reached at about the beginning of July 1927, that is to say, long before there was any sign of the dispute in India. It is plain therefore that the arrangements between these two companies had no connection with the losses incurred owing to the war by the Burmah Oil Company or any other indigenous company. The importation of Russian oil into India by the Standard Oil Company, which that company sought to justify on the grounds that they were entitled to supply the market from the nearest available source of production, emphasised the truth of the Anglo-Persian Oil Company, Limited's contention that there was no reason why they should keep out of a market which lies, so to speak, at their door and continue to confine themselves to markets further afield.

(4) *Bounty on Crude Oil.*—Owing to the speculative nature of the oil industry, there can be no certainty that increased effort will be rewarded by increased production, and therefore it is doubtful whether a bounty on additional volume of crude oil won would have the effect of encouraging development to any large extent. For years past the indigenous oil companies have been unremitting in their search for new sources of supply with the object of keeping their refining, marketing, etc., organisations fully employed, and we do not think that any other inducement than this is necessary to ensure that every endeavour will be made to maintain and increase crude production. Provided that security of tenure of their concessions is ensured to operators and that Royalty and other direct burdens on production, which bear no relation to the value of the crude, are not more onerous than those borne by production in other countries with which India has to compete, our opinion is that the disparity between supplies and demand in the Indian market is sufficient inducement to the indigenous producer and a bounty is unnecessary, so long, that is, as the Indian market is rendered remunerative to them by protection against specially localized competition of imported oil selling there below world parity.

As an alternative to a protective tariff, therefore, we are not in favour of a bounty on crude oil. As a supplement to a protective tariff, it might be of assistance to the indigenous industry in that it might make it profitable to work wells whose production is so small as otherwise to be unprofitable, but it would not necessarily lead to a material increase in production owing to the absence of certainty that increased effort will lead to improved results.

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(13) *Letter No. 587, dated 1st June, 1928, from the Tariff Board, to the Burmah Oil Company, Limited, Rangoon.*

I am directed to refer to your letter of 25th May forwarding sundry statements asked for by the President and to request that you will kindly furnish the quantities contributed by the contribution prices of indigenous and foreign oil for the period January to March, 1928, in the same form as for the period July to December, 1927, and also an estimate on the same lines of the contribution prices, or the realizable weighted average prices, of indigenous and foreign oil, including sales in the Burma and Chittagong areas on the basis of the rates (*viz.*, Rs. 4-4-0 for superior and Rs. 3-6-0 for inferior) at which the Board understands it is hoped to stabilize kerosene prices in India and on the assumption that the quantities contributed would be about the same as those contributed during the quarter ending March 31st, 1928.

I am further to add that the President understood that, as selling agents for the Attock Oil Company, you undertook to furnish figures similar to those already furnished and those now asked for, for the Burmah Oil Company, the British Burmah Petroleum Company and the Assam Oil Company, in respect

of this Company also, and I am to request that you will kindly forward the same to the Board at its Rangoon office in the Legislative Council Building as soon as possible.

(14) *Letter dated 7th June, 1928.*

We have the honour to acknowledge receipt of your letter No. 587 of 1st instant.

We enclose herewith a statement showing the quantities sold and the average prices realised *ex* installation during the period January and February 1928 drawn up in the same form as for the period July to December 1927 with the exception that we have been unable to differentiate between the products of the various companies. We regret that figures for March are not yet available. The realisable weighted average works out at Rs. 3-4-7·6 per unit. On the basis of Rs. 4-4-0 for superior and Rs. 3-6-0 for inferior for Burmah-Shell area and actuals for Burma and Chittagong areas during January to February 1928 the realisable weighted average works out at Rs. 3-13-3 per unit.

We cannot confirm nor do we see any hope at present of being able to stabilise prices as Rs. 4-4-0 for superior and Rs. 3-6-0 for inferior.

We regret that we are unable to supply figures for the Attock Oil Company.

With reference to Mr. Mathias' request for the weighted average based on figures supplied with our letter of 25th ultimo and applied to contributions during January to December 1927, this works out at Rs. 3-10-7 as compared with Rs. 3-10-9 based on January and February 1928 sales figures for superior and inferior.

Ex *installation return realised January and February 1928 (Burmah, January to March.)*

Superior kerosene—

	Unit.	Rs. A. P.	Rs.
O/A India	1,635,939	3 9 8·0134	5,896,311
,, Chittagong	12,166	4 7 11·6212	54,723
,, Burmah	228,544	5 8 10·02	1,268,923
TOTAL	1,876,649	3 13 6·6739	7,219,957

Inferior kerosene—

	Unit	Rs. A. P.	Rs.
C/A India	2,315,080	2 11 9·7930	6,339,859
,, Chittagong	218,625	3 5 8·8410	733,693
,, Burmah	278,657	4 1 0·20	1,132,330
TOTAL	2,812,362	2 14 8·2157	8,205,882
GRAND TOTAL	4,689,011	3 4 7·6387	15,425,839

(15) *Letter dated 14th June, 1928.*

We now take up for reply your letter No. 582 of the 31st ultimo. We regret the delay but we had to refer to our Burmah-Shell Head Office for

information. The amount added to the bulk *ex* main Indian Ocean installation price to arrive at the price at which kerosene is sold to local dealers as follows:—

	A.	P.
Calcutta	7	6
Madras and Karachi	7	6
Bombay	10	0

These charges cover commission, loading, freight, handling charges, rents, rates, taxes of local depôts, stationery, cart hire, etc.

(16) *Letter dated the 14th June, 1928.*

We have to-day received a cable from our Head Office and we are passing on to you the information contained therein. Comparing Burmah Oil Company, British Burmah Petroleum Company and Aracan Oil Company supplies of inferior and superior kerosene from the 1st January, 1924, to the 22nd September, 1927, at the actual contributing price, with a similar volume taken at Asiatic Petroleum Company's contributing price, this being based on Gulf prices *plus* freight, there is a difference of Rs. 50,529,000. This difference represents the sacrifice by the above companies in the period. Again comparing the total Indian trade in the above period valued at the Pool's average selling prices with the same trade valued at Asiatic Petroleum Company's contributing prices there is a difference of Rs. 38,315,000 which represents what the operations of the Pool have resulted in saving the Indian consumer in that period. You will no doubt be able to check these figures from figures already supplied to you.

(17) *Letter dated the 14th June, 1928.*

We have the honour to inform you that we have received telegraphic advice from our Principals that the Royal Dutch Shell group and the Standard Oil Company of New York have settled their differences and that Indian prices for kerosene will be gradually rehabilitated on the basis of 195,000 tons per annum at our discretion at a maximum of Rs. 3-6-0 and that the balance of the Burmah-Shell and Burmah Oil Company trade requirements will be at maximum at current Gulf rates, *plus* freight *plus* duty, the charge for inferior being 4 annas less and the differential between superior and inferior, either 8 annas or 10 annas. They add that the Standard Oil Company will not import petrol until such importation is necessary.

Assam Oil Company, Limited.

Letter dated 22nd May, 1928.

With reference to Mr. Mathias' request to the undersigned we now append the following information regarding the Assam Oil Company, Limited:—

	£
Block account at 31st December 1920	370,547
Total Capital expenditure, 1st January 1921 to 31st December 1927	591,215
	951,762
Less Depreciation written-off to 31st December 1927	221,000
Block Account at 31st December 1927	740,762

The Indo-Burma Petroleum Co., Ltd.

(1) *Letter, dated 26th April 1928.*

With reference to your verbal request, we have the honour to enclose Statements Part 3, A to G, as follows:—

A.—Indo-Burma Petroleum Company's Petrol Sales, January 1927 to March 1928.*

B.—New Orleans Market Kerosene prices, July 1927 to March 1928.

C.—New York Market Kerosene prices, July 1927 to April 1928.

D.—New York Market Kerosene prices, 1924 to 1928.

E.—New York Market Kerosene prices, 1919 to 1923.

F.—New Orleans Market Gasolene prices, July 1927 to April 1928.

G.—New York Market Gasolene prices, July 1927 to April 1928.

We trust above are what you require.

PART 3-B.

REUTER'S PETROLEUM SERVICE.

New Orleans Market Kerosene Prime White in Bulk.

Date.	"A" American price f. o. b. Gulf Ports per American Gallon	"B" Equivalent of "A" per unit of 8 Imperial Gallons=10 American Gallons.	"C" Cost per unit at Exchange Rs. 275 per $100.
	Cents.	Cents.	Rs. A. P.
21st July 1927	5	50	1 6 0·0
22nd September 1927 . .	$5\frac{1}{2}$	55	1 8 2·4
22nd November 1927 . .	6	60	1 10 4·8
13th January 1928 . . .	$5\frac{3}{4}$	57·5	1 9 3·6
20th January 1928 . . .	$5\frac{5}{8}$	56·25	1 8 9·0
27th January 1928 . . .	$5\frac{1}{2}$	55	1 8 2·4
30th March 1928 . . .	$5\frac{7}{8}$	58·75	1 9 10·2

* Not printed.

PART 3-C.

New York Kerosene Standard White Bulk.

Date.	"A" American price f. o. b. Gulf Ports per American Gallon.	"B" Equivalent of "A" per unit of 8 Imperial Gallons=10 American Gallons	"C" Cost per unit at Exchange Rs. 275 per $100.
	Cents.	Cents.	Rs. A. P.
21st July 1927	5·75	57·5	1 9 3·6
21st September 1927	6·25	62·5	1 11 6 0
22nd November 1927	6·75	67·5	1 13 8·4
17th January 1928	6·50	65 0	1 12 7 2
11th April 1928 (*Telegram*)	6·75	67·5	1 13 8·4
23rd April 1928	7·00	70·0	1 14 9·6

PART 3-D.

AMERICAN BULK RATES FOR STANDARD WHITE KEROSENE OIL AT NEW YORK FROM 1924 TO 1928.

Extracted from "The Petroleum Times."

1924.	Cents per Gallon.	1925.	Cents per Gallon.	1926.	Cents per Gallon.	1927.	Cents per Gallon.	1928.	Cents per Gallon.
		Aug. 1	6·00	Jan. 2	6·25	June 11	6·25	Jan. 7	7·00
						July 2	6 25		
		,, 29	5·75						
						Aug. 6	6·25	Feb. 4	7·00
		Sep. 5	5·75			Sep. 3	6 25		
						Oct. 1	6·25	,, 11	6·75
		,, 26	6·00						
						,, 22	7·25		
								Mar. 10	6·75
		Oct. 3	6·00			Nov. 5	7·25		
						Dec. 24	7·25		
		Nov. 7	5·75						
						,, 31	7·00	,, 24	6·75
		,, 28	6·25						

PART 3-E.

American Bulk Rates for Standard White Kerosene Oil at New York from 1919 to 1923.

Extracted from "The Petroleum Times."

1919.	Cents per Gallon.	1920.	Cents per Gallon.	1921.	Cents per Gallon.	1922.	Cents per Gallon.	1923.	Cents per Gallon.
Mar. 1	9·25	Jan. 3	12·00	Jan. 1	13·50			Sep. 8	5·50
,, 8	9·25								
,, 15	9·25	Feb. 7	15·00	,, 29	13·00				
Apr. 5	9·25								
June 21	9·25	Mar. 13	15·50	Feb. 5	12·00				
July 5	9·25								
,, 12	9·25	,, 27	15·00	,, 19	11·50				
,, 19	9·25								
,, 26	9·25	Apr. 3	15·00	Mar. 5	11·50				
Aug. 2	9·25								
,, 9	9·25	June 26	15·00	,, 12	12·00				
,, 16	9·25								
,, 23	9·25	July 3	15·00	,, 19	10·50				
Sep. 13	11·25								
				Apr. 2	10·50				
,, 20	11·25	,, 31	13·50						
,, 27	11·25			,, 16	10·25				
Oct. 4	11·25	Aug. 7	13·50						
				,, 23	10·50				
,, 11	11·25								
,, 18	11·25	Sep. 4	13·50	May 7	10·50				
,, 25	11·25								
				,, 14	10·50				
Nov. 1	11·25	Oct. 2	13·50						
,, 15	11·75			,, 21	6·00				
,, 22	11·75	,, 16	13·25						
				June 4	5·50				
,, 29	11·75								
Dec. 6	11·75	Nov. 6	13·25	July 2	5·50				
,, 13	11·75								
		,, 27	13·50	Aug. 6	6·00				
,, 20	11·75								
,, 27	11·75	Dec. 4	13·50	Sep. 10	6·00				

PART 3-F.

Reuter's Petroleum Service.

New Orleans Market—Gasolene in Bulk 61/63 degrees, Baumé 390 end point.

Date.	"A" American price f. o. b. Gulf Ports per American Gallon.	"B" Equivalent of "A" per Imperial Gallon.	"C" Equivalent of "B" per Imperial Gallon at Exchange Rs. 275 per $100.
	Cents.	Cents.	Annas.
21st July 1927	8	9·6	4·224
19th August 1927 . . .	$7\frac{7}{8}$	9·45	4·158
25th August 1927 . . .	8	9·6	4·224
15th September 1927 .	$7\frac{7}{8}$	9·45	4·158
17th November 1927 . .	8	9·6	4·224
9th December 1927 . . .	$8\frac{1}{8}$	9·75	4·290
13th January 1928 . . .	8	9·6	4·224
20th January 1928 . . .	$7\frac{7}{8}$	9·45	4·158
9th March 1928 . . .	8	9·6	4·224
16th March 1928 . . .	$8\frac{1}{4}$	9·9	4·356
26th March 1928 . . .	$8\frac{3}{8}$	10·05	4·422
30th March 1928 . .	$8\frac{5}{8}$	10·35	4·554

PART 3-G.

New York Gasolene in Bulk for Export.

Date.	"A" American price f. o. b. Gulf Ports per American Gallon.	"B" Equivalent of "A" per Imperial Gallon.	"C" Equivalent of "B" per Imperial Gallon at Exchange Rs. 275 per $100.
	Cents.	Cents.	Annas.
21st July 1927	10·25	12·30	5·412
25th October 1927 . . .	9·75	11·70	5·148
17th January 1928 . . .	9·50	11·40	5·016
9th March 1928 . . .	9·75	11·70	5·148
17th March 1928 . . .	10·50	12·60	5·544
11th April 1928 . . .	10·75	12·90	5·676
23rd April 1928 . . .	11·00	13·20	5·808

(2) *Letter dated 22nd May, 1928.*

We have the honour to acknowledge receipt of your telegram No. 543, dated Maymyo, 22nd May 1928 to hand as follows:—

"Will you please send by return of post Statement showing monthly prices of representative American Crudes from January 1926 to date."

We enclose the statement required and would explain that to avoid possible confusion, we have shewn one grade only of each of five representative groups, *i.e.*, grades, in each group, of 34 degree Baumé which is approximately the Baumé equivalent of typical Burma Crudes.

We would explain however that prices are quoted for Mid Continent, Gulf Coast, West Texas and Californian Crudes for qualities ranging in some cases from below 20 degrees up to 50 degrees Baumé.

It may be accepted that Mid Continent Crudes bear more similarity to Burma Crudes than any of the others, Pensylvania being richer in white products but poorer in Wax, while Gulf, Texas Panhandle and Californian Crudes are definitely inferior especially the last two.

Statement showing course of prices at Wells for representative American Crudes from January 1926 to April 1928 quoted in the Oil, Paint and Drug Reporter as being the prices posted by Refiners.

Date.	Pensylvania in New York Transit Lines.	Mid Continent 34° Baumé Crude.	Gulf Coast 34° Baumé Crude Asphalt Base.	Texas Panhandle Wheeler County 34° Baumé Crude (high sulphur content.)	California Coalinga Field 34° Baumé Crude.
	Per Barrel.	Per Barrel.	Per Barrel.	Per Barrel.	Per Barrel.
1926.	$	$	$	$	$
January	3·65	1·63	1·85	1·35	1·49
February	3·65	1·63	1·80	1·35	1·49
March	3·90	1·88	1·80	1·45	1·49
April	3·65	1·88	1·80	1·45	1·77
May	3·65	1·88	1·90	1·45	1·77
June	3·65	1·88	1·90	1·45	1·77
July	3·40	2·13	2·00	1·65	1·77
August	3·40	2·13	2·00	1·45	1·77
September	3·40	2·13	1·90	1·45	1·77
October	3·40	2·13	1·90	1·25	1·77
November	3·40	2·13	1·90	1·20	1·77
December	3·15	1·80	1·90	1·20	1·77

Date.	Pensylvania in New York Transit Lines.	Mid Continent 34° Baumé Crude.	Gulf Coast 34° Baumé Crude Asphalt Base.	Texas Panhandle Wheeler County 34° Baumé Crude (high sulphur content.	California Coalinga Field 34° Baumé Crude.
1927.	Per Barrel.	Per Barrel.	Per Barrel.	Per Barrel.	Per Barrel.
	$	$	$	$	$
January .	3·40	1·80	1·90	1·20	1·77
February . .	3·40	1·80	1·65	1·20	1·77
March . . .	3·15	1·38	1 52	1·08	1·77
April . . .	2·90	1·09	1·33	·92	·97
May . . .	2·90	·99	1·33	·92	·97
June . . .	2·90	1·09	1·33	·92	·97
July . . .	2 90	1·09	1·33	·92	·97
August . . .	2·90	1·09	1·33	·92	·97
September . .	2·65	1·09	1·33	·92	·97
October . .	2·65	1·26	1·33	92	·97
November . .	2·65	1 26	1·33	·92	·97
December . .	2·65	1·24	1·33	·92	·97
1928.					
January . .	2·80	1·24	1·33	·92	·97
February . .	2·80	1·22	1·33	·76	·97
March . . .	2·80	1·22	1·33	·76	·97
April . . .	2·80	1·22	1·33	76	·97

(3) *Letter dated 23rd May, 1928.*

At the public examination in Maymyo on the 17th May 1928, the President asked us to consider his suggestion to offer a bounty on new production of crude oil as an incentive to producers to increase the quantity of crude in India and Burma.

2. We have given this suggestion very careful consideration and agree that it is a valuable one, more suited however for future encouragement of the indigenous producing industry than for its urgent present needs.

3. It is our opinion further that unless, as the outcome of the present enquiry, the oil producing industry is substantially protected in the manner already suggested by us, new capital is unlikely to be forthcoming for new development, even with the assurance of a bounty in the future on production actually won.

4. The Oil Industry in India and Burma to-day requires *security* above all things; security against uneconomic competition from outside and security of tenure in the areas held under Mining Lease from Government. Given these, we should look for a continuance of healthy development in the Petroleum industry of this country but the further reward in the shape of a bounty on new production secured would, of course, add to the incentive.

5. Should the Board be interested in the representations of this Company to Government in respect to the right to renewal of Mining Leases, we shall be pleased on hearing from you to forward copies for information.

Standard Oil Company of New York.

(1) *Statement handed in by the Standard Oil Company of New York on the 25th April, 1928.*

New York, April 24th, 1928.

Cable From—Standard Oil Company of New York, New York,

To—W. F. Guthrie, Standard Oil Company of New York, Rangoon.

There is no posted bulk price f.o.b. Gulf Ports and Reuter's cables, London, of Gulf prices for prime white oil are merely indications market conditions based on occasional report of sales made for export.

Prices in Gulf are nominally ½ cent per gallon lower (than) the New York posted export prices although the differential has occasionally and for short periods been less (than) ½ cent.

New York export prices for petrolite oil ranged from—

1917—from 4¾ cents to 6 cents per gallon.
1918—from 6 cents to 7¾ cents per gallon.
1919—from 7¾ cents to 8¾ cents per gallon.
1920—from 11½ cents to 14½ cents per gallon.
1921—from 4½ cents to 13 cents per gallon.
1922—from 5 cents to 7½ cents per gallon.
1923—from 5 cents to 6½ cents per gallon.
1924—from 6 cents to 6½ cents per gallon.
1925—from 5 cents to 6¾ cents per gallon.
1926—from 6¾ cents to 8½ cents per gallon.
1927—from 5 cents to 8 cents per gallon.
1928—from 5½ cents to 6¼ cents per gallon.

to-day's prices 6¼ cents bulk.

Freights subject to considerable fluctuation account of condition of the market but can be taken to-day as approximately 4½ cents per gallon Gulf (to) India 2½ cents per gallon Batoum, Russia (to) India.

Our Russian contract is based on f.o.b. Gulf prices.

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(2) *Statement showing the total Indian trade refined oil and the share of the Standard Oil Company of New York.*

REFINED OIL EXPRESSED IN UNITS OF 8 IMPERIAL GALLON, STANDARD OIL COMPANY OF NEW YORK.

Year.	S. O. Co. Total Trade.	Grand Total Trade.	S. O. Co. % of Total.
1913	6,036,290	24,419,155	24·7
1914	6,085,745	24,350,205	25·0
1915	5,915,935	23,408,705	25·3
1916	5,197,078	21,088,725	24·6
1917	5,380,163	20,213,798	26·6
1918	1,935,379	17,667,369	10·9
1919	3,452,546	19,384,466	17·8
1920	4,849,565	21,670,956	22·4
1921	5,247,831	21,907,749	23·9
1922	5,702,561	24,729,334	23·1
1923	6,407,346	26,360,501	24·3
1924	7,226,564	28,041,348	25·8
1925	7,541,634	29,301,955	25·7
1926	7,772,794	29,785,260	26·1
1927	7,941,088	31,051,277	25·6

(3) *Statement handed in by Mr. Guthrie of the Standard Oil Company of New York on the 27th April, 1928.*

With regard to the probable date our installations will be ready to permit of our entry into the Indian petrol market, I give it as a conservative estimate that it will take a full two years to complete the installations; some may be ready slightly under two years, but others may take more time to be completed. Any estimates that may have been made by members of my staff to the effect that we would be ready at any fixed date under two years, or at some time within a few months, are not authoritative and have been made without my knowledge or sanction. I am not prepared on behalf of my company nor will I recommend to them that we give any undertaking whatsoever to restrict our sales of petrol in any respect to the exact difference between indigenous supply and the demand, as has been suggested. We expect that by the time we shall be ready to market petrol in India, the consumption of petrol will have materially increased to a point where we shall be in a position eventually to sell a quantity consistent with the plant investment that will be necessary. It was not our intention to give any other impression than this in our printed representation to the Tariff Board.

I will undertake on behalf of Standard Oil Company of New York to market such petrol as we do sell, at prices at which petrol is at that time sold by indigenous or other companies selling petrol in India. It is not our intention to enter the Indian market by cutting prices below those then prevailing and if petrol prices are at that time reduced, it will not be on my company's initiative. That is the only guarantee I will give in connection with our entry into the petrol business in India.

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(4) *Letter No. 422, dated 30th April, 1928, from the Tariff Board, to the Standard Oil Company of New York, Rangoon.*

I am directed to request you to state for the information of the Board whether the freight quotations given in the cable of the Standard Oil Company of New York, dated 24th April to Mr. W. F. Guthrie may be taken to represent the freights from Gulf ports and Batoum (Russia) respectively to all ports in India; that is to say, for practical purposes there is no difference in freight whether the port of import is Karachi, Bombay, Madras, or Calcutta.

(5) *Letter dated 30th April, 1928.*

Referring to your inquiry No. 422 of April 30th, freight charters on petroleum products, from the United States of America and Batoum to India are quoted and charters entered into at a rate to all Indian ports, and it is the established custom of Shipping Companies to make freight contracts on this basis so that the freight on oil cargoes is the same from the specified ports to Karachi, Bombay, Madras and Calcutta.

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(6) *Letter dated 4th May, 1928.*

With reference to the request for circulars sent out about the probable date of our entry into the petrol business in India, we would advise that no such circulars were sent out by this General Management.

I find that the attached circulars were sent out by the Calcutta marketing division.

It is obvious from a perusal of these circulars that they were put in circulation with the purpose of strengthening the morale of the kerosene agency and selling organization under attack from strong competition, and that in any case there was nothing definite said as to the actual time we would be ready to sell petrol.

As indicated in my memorandum handed to you, the suggestion that "it will take a few months to build our installations" was made without my knowledge or sanction and is not authoritative, nor does it represent the situation as it actually exists to-day.

I confirm my statement to the Tariff Board as it appears in my evidence that it will take a full two years before we are ready to sell petrol in India.

Enclosure No. 1.

To all Commission Agents.

19th November, 1927.

DEAR SIRS,

November required output units.

You will be interested in learning that this Company has definitely decided to go into the petrol business in India. Of course it will take a few months for us to build our installations and get underway, but our entrance into the petrol market is a definite proposition.

It will be our intention to give our up-country petrol agencies to our kerosene oil agents at every place that it is possible to do so.

Our final decision as regards your appointment as our petrol distributor for your agency will depend largely upon the results you show in increasing your sales of Elephant Brand by at least 100 per cent during the intervening months. We expect greatly increased sales of Snowflake and Chester cases, and Monkey cases and tins also, but your great opportunity for doubling your sales and therefore your commissions lies in selling superior Elephant to former consumers of low grade red and white oil who can now obtain smokeless Elephant for lanterns and lamps at approximately the same price they formerly paid for smoky oil for kuppees.

As far as the so-called high grade white oils sold as imitation Elephant are concerned, you will probably find these being sold at reduced rates below Elephant at present. This is an open admission that Elephant brand is the only superior oil on the market for general use, and the oil consuming public should be informed by you that you do not have to reduce your prices because of that fact. You can easily increase your sales at the present low prices on your high grade Elephant in spite of further reductions on other inferior, low grade, smoky products.

Remember that our petrol agency depends upon your whole-hearted, loyal support, and greatly improved results in your kerosene trade.

Please acknowledge receipt of this letter indicating that you understand it fully.

Yours truly,

STANDARD OIL CO. OF NEW YORK,

(Sd.) V. L. WHITNEY,

Manager.

Enclosure No. 2.

To all Inspectors.

19th November, 1927.

DEAR SIRS,

You will be interested in learning that this Company has definitely decided to go into the petrol business in India. Of course it will take a few months for us to build our installations and get underway, but our entrance into the petrol market is a definite proposition.

It will be our intention to give our up-country petrol agencies to our kerosene oil agents at every place that it is possible to do so.

We want you to make the fullest use of this information and this declaration of our intentions, in so far as the kerosene commission agents are concerned, to interest them in properly carrying on the kerosene oil business under the present conditions which have been brought about by competitors. You may point out to our commission agents that our decision finally to utilise their service as petrol distributors will depend very largely upon the results they attain in holding their markets for our brands of kerosene oil.

We want you to make the fullest use of this information in telling our commission agents about it in order to encourage them against the effects of competitors' propaganda in their present activities which they, not us, have described as a " war ".

Please acknowledge receipt of this letter indicating that you understand it fully.

Yours truly,

STANDARD OIL CO. OF NEW YORK,

(Sd.) V. L. WHITNEY,
Manager.

Enclosure No. 3.

DEAR SIR,

We regret that we are unable to definitely advise when our arrangements for distribution of Socony Motor Spirit in the markets of India will be concluded. Our preparations are, however, rapidly progressing, and we shall be pleased to communicate with you as soon as our Petrol makes its first appearance in India.

In the meanwhile, we shall be very glad to enlist your interest in our superior Socony Motor Oils as a forerunner to a flourishing Motor Oil business, which we plan to develop intensively with the arrival of Petrol. We attach herewith a current circular of Socony Motor Oil prices, outlining the various packages in which these oils can be supplied and terms of delivery.

We shall be very glad to send you a well chart with the correct grades for all cars and motor cycles on application from you, when you place your first order with us.

Our arrangements for the sale of Petrol are to be governed mainly by the sales aptitude of dealers in Socony Motor Oils; and we, therefore, suggest that you enhance your qualifications for our Petrol business by immediately devoting your efforts to the distribution of Socony Motor Lubricants.

Yours truly,

STANDARD OIL CO. OF NEW YORK.

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(7) *Letter dated 4th May, 1928.*

With reference to the request of the President during the oral examination on April 27, 1928, for all changes in selling prices at main ports since January 1, 1927, we give you the following as those made by this company.

Bulk oil price *ex* all main installations on superior (Elephant brand) was Rs. 6-3-6 per unit of 8 Imperial gallons on January 1, 1927.

Bombay.

Prices Bombay remained at Rs. 6-3-6 per unit until September 23, 1927, when there was a reduction of Re. 1-0-0 per unit, following one of the same amount made by our competitors on the same day.

There was a further reduction of Re. 0-4-0 on September 24, 1927, by all companies.

On October 7, 1927, we authorized a further reduction of Re. 0-8-0 per unit to meet rebates and bonuses being given by our competitors.

On November 7, 1927, we authorized an additional cut of Re. 0-4-0 per unit, and again on November 21, 1927, a further reduction of Re. 0-8-0 was authorized to meet open cuts, rebates, and bonuses made by competitive companies. These reductions made the total amount cut by this company at Bombay, Rs. 2-8-0 per unit, which was the maximum reduction made by us; competitors total reduction by cuts, rebates and bonuses at points in the Bombay area reached Rs. 3-0-0 per unit.

On April 4, 1928, we started advancing our prices in the Bombay area, until at this date the average reduction in that area is Re. 1-8-0 per unit below " pre-war " prices.

Madras.

In the Madras area, we authorized a reduction of Re. 1-4-0 per unit on October 19, 1927, to meet an open cut by competitors.

On October 20, 1927, we authorized a further open reduction of Re. 0-8-0 to meet rebates and bonuses given by competitive companies.

On November 30, 1927, a further reduction of Re. 0-12-0 per unit was authorized by us to meet open cuts, rebates, and bonuses given by competitors.

Competitors reduced prices at points in this area by cuts, rebates, and bonuses, until they reached Rs. 3-8-0 per unit below " pre-war " prices in some sections. The largest cut made by us was Rs. 2-8-0 per unit in the Madras area.

On January 4, 1928, we started advancing prices in the Madras area, and they have at this date been raised until they are Re. 1-4-0 per unit below " pre-war " prices.

Calcutta.

On October 8, 1927, we reduced prices by Re. 1-4-0 per unit.

The above was the only cut made in the Calcutta area, with the exception of those at 12 agencies out of 330 in operation where we reduced from 4 to 8 annas per unit, in addition to the first cut of Re. 1-4-0, to meet rebates. The prices at these 12 agencies have all been restored to the level of the Re. 1-4-0 cut, so that prices everywhere in the Calcutta area are now Re. 1-4-0 below pre-war prices.

Karachi.

We reduced prices by Re. 1-4-0 per unit on October 19, 1927, to meet an open reduction made by competitors of the same amount confirmed by their circular letter of October 17, 1927, which has been copied in our printed representation to your Board.

We authorized a reduction of Re. 0-8-0 per unit on October 20, 1927, to meet open cuts, rebates, and bonuses made by competitors, where needed. A further reduction of Re. 0-4-0 was authorized on October 28, 1927, and another additional cut of Re. 0-8-0 was authorized for points in Cutch only on December 2, 1927, making the maximum Rs. 2-8-0 for Cutch only. In other sections of the Karachi area aside from Cutch, none of the authorized reductions were made in full by our Karachi office, and reductions were made in addition to the first cut of Re. 1-4-0 of from 1 anna to 4 annas only at a total of 29 agencies in the Karachi area.

(8) *Letter dated 4th May 1928.*

As requested by the President in the oral examination on April 27th, 1928, we give you the following importations of kerosene in bulk made by this Company, during the period January 1st, 1927, to March 31st, 1928, by ports:—

	Expressed in units.
Bombay	2,061,672
Marmugao	471,084
Calcutta	3,456,502
Karachi	1,755,100
Madras	529,177
Coconada	366,992
Karikal	654,525
Cochin	580,805

(9) *Letter dated 4th May, 1928, from the Tariff Board, to the Standard Oil Company of New York, Rangoon.*

I am directed to request that you will kindly state for the information of the Board what figure should be taken to represent the loss by leakage and the insurance charges per unit of 8 Imperial gallons kerosene shipped from Batoum to India.

The figure which has been given to the Board as representing the loss by leakage and the insurance charges per unit from the Gulf ports to India is six pies.

(10) *Letter dated 19 May 1928.*

With reference to your request, dated May 4th, as to what figure should be taken to represent the loss by leakage and the insurance charge per unit of 8 Imperial gallons kerosene shipped from Batoum to India, also your No. 498, dated May 12th, in reference to the quarterly average of the freight and insurance charges for shipping kerosene from the Gulf ports to India over the past five years 1923—1927. As we have not got this information in India, we have cabled New York for it and as it will take a few days for them to prepare it, we will forward it to you as soon as received.

Referring to your No. 499, requesting copies of leading American oil journals, we regret to advise you that we do not receive in India and do not know of any such publication in America. It is the custom of most American Oil Companies to publish a small journal monthly which is for the employees. I am forwarding a few copies under separate cover, but I doubt if they will be of any interest to the President. I am also forwarding a copy of Oil Imperialism which the President may find of interest.

My attention has been called to an article printed in the *Statesman*, dated Saturday, May 19th, in which Mr. Tait has been reported to have said that difference between superior and inferior kerosene was now Re. 1-6-0. As this statement is reported to have been made to the Tariff Board on May 18th at Maymyo, I beg the privilege of placing before you the facts.

On May 3rd, 1928, the Burma Shell Oil Storage and Distributing Company of India, Limited, reduced rates superior and cased oil 4 annas per unit and increased inferior 4 annas per unit everywhere, packed and bulk. Therefore the differential is 14 annas per unit and not Re. 1-6-0 as reported.

The Standard Oil Company of New York did not follow this reduction, therefore the Standard Oil Company of New York is being further undersold by the Pool another 4 annas per unit in addition to previous open cuts, rebates, and bonuses of from 4 to 14 annas per unit which still prevail.

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(11) *Letter dated 23rd May 1928.*

Referring to my letter No. 962, dated May 19th, 1928, with reference to your request, dated May 4th, as to what figures should be taken to represent the loss by leakage and the insurance charge per unit of 8 Imperial gallons kerosene shipped from Batoum to India, also your No. 498, dated May 12th, in reference to the quarterly average of the freight and insurance charges for shipping kerosene from the Gulf ports to India over the past five years 1923—1927, I quote below the text of cable No. 925, dated May 22nd, received to-day, in answer to my enquiry :—

" Referring to your telegram No. 507 the only regular charter market for tank steamer tonnage is for Trans-Atlantic voyages and using that as basis calculation the Gulf India corresponding average freight values per unit bulk oil for each quarter would be—

1923—·42 cents.	1925—·53 cents.
·63 ,,	·49 ,,
·47 ,,	·34 ,,
·36 ,,	·33 ,,
1924—·49 ,,	1926—·42 ,,
·68 ,,	·46 ,,
·44 ,,	·46 ,,
·46 ,,	·58 ,,

1927—·74 cents.
·66 ,,
·44 ,,
·31 ,,

Therefore our freight charges given in our telegram to Mr. W. F. Guthrie, Rangoon, 24th April, and which apply on all our shipments are in line with average freight market values. Stop."

" Loss by leakage both Batoum, Russia, India and Gulf, India will average ¾ per cent. and insurance can be taken at ⅓ of one per cent., thus making loss by leakage and insurance not over 4 pies per unit both places on to-day's cost."

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(12) *Letter dated 24th May 1928.*

Referring to our letter No. 968, dated May the 23rd, 1928, in which we quoted the text of cable No. 925, dated May the 22nd, from New York, we are just in receipt of the following cable from New York :—

" Referring to our telegram No. 925 please read loss by leakage and insurance not over 5 pies per unit instead of 4 pies."

We will appreciate greatly if you will make this correction in our letter No. 968.

Asiatic Petroleum Company (India), Limited.

(1) *Letter dated 1st June 1928.*

At the time of my oral examination by the Board on May 11th in Maymyo, I was asked to obtain information for the Board upon the following points:—

(1) The dates of the contracts which were made by the Standard Oil Company of New York for the purchase of Soviet oil and the American Gulf prices prevailing at those dates.

(2) The exact nature of the compensation which the Asiatic Petroleum Company had agreed to make to the Burmah Oil Company and the basis upon which it was to be computed; also the approximate sums of money which such compensation would involve; also whether other indigenous Companies would obtain compensation from the Asiatic Petroleum Company either directly or indirectly.

I much regret the delay which has occurred in obtaining the information required by the Board but from the advices received from my Head Office in London I am now in a position to state as follows:—

(1) The contract to purchase Soviet oil was made verbally by the Standard Oil Company in October 1926 and the contract was actually signed in December 1926, at which time the American Gulf price ruling was 8 cents per American gallon.

It is further understood that the contract admitted of something in the nature of a fall clause dependent upon the price at which the Standard Oil Company found it necessary to sell the oil. It has not been possible to ascertain the exact nature of this arrangement implying as it does that the Soviet Government are standing behind the Standard Oil Company in their purchase. As you are aware, the information, which we have, goes to show that the provincial purchase price paid for Soviet oil was only 5 cents per American gallon but to what extent this price would be reduced consequent upon the Standard Oil Company deciding to reduce their selling rates in India cannot be ascertained.

(2) In the matter of the compensation to be paid by the Asiatic Petroleum Company to the Burmah Oil Company, it will be best for me to state at once that owing to the Asiatic Petroleum Company having reduced their selling prices in China, so that in China selling prices, quality for quality, are not higher than in India, no compensation is due to be paid by the Asiatic Petroleum Company to the Burma Oil Company on account of 1927 and it is improbable that any will become due on account of this year's trading. It is probably because of the reduction of prices in China that the exact method of determining the compensation which the Asiatic Petroleum Company definitely undertook to pay the Burmah Oil Company was not settled. The Asiatic Petroleum Company did undertake to compensate the Burmah Oil Company but the arrangement was somewhat vaguely worded. I am, however, in a position to say that the intention was always clear and it was that the Asiatic Petroleum Company and the Burmah Oil Company each should bear on half the Pool trade the difference between the prices realised in China and the prices realised in India. From this it will be understood that, as the Asiatic Petroleum Company's contributions of oil to the Pool are much less than half the Pool's trade, the effect of the undertaking made by the Asiatic Petroleum Company is to make good, quality for quality, the difference between the selling prices realised in China and those realised in India upon the difference between half the Pool's trade and the Asiatic

Petroleum Company's contributions. It was further the intention of the arrangement that the compensation thus payable by the Asiatic Petroleum Company together with the compensation payable by the Burmah Oil Company on the other half of the Pool's trade would be allocated by the Burmah Oil Company proportionately over the sales of the Burmah Oil Company, **British Burma** Petroleum Company, Assam Oil Company, and Attock Oil Company.

I have endeavoured to supply the Board with as much information as possible upon the specific points mentioned at the beginning of this letter but I hope that I shall be allowed to explain the reasons which led the Asiatic Petroleum Company to reduce prices in China, since the President attached some importance at my examination to the fact that the Asiatic Petroleum Company had agreed to make compensation to the majority of the indigenous producers, and may consequently be disappointed to find that in fact compensation is not likely to materialise.

Your terms of reference will cause you to enquire into the prices which are prevailing in the kerosene market in India at the present time and are likely to prevail, so long as the quarrel between the Standard Oil Company and the Royal Dutch Shell Group lasts, with a view to ascertain whether they are such as are likely to cause irreparable damage to a considerable section of the indigenous trade. It has been made clear that the object of the indigenous producers in requesting the Government of India to afford them protection is to enable the rate war, which they cannot prevent and cannot stop, to be carried on at a price level which, while it does not force the consumer to pay more than fair world prices, will have the effect of increasing the returns secured by the indigenous producers. While the Government of India are investigating this question, the Asiatic Petroleum Company were confronted with the following problem.

Prices in China and other Eastern markets were fixed at or about world levels, thus securing to the Standard Oil Company the profits to which they were accustomed in those markets. Had this state of affairs prevailed, the Standard Oil Company would have been able to set off the profits realized in these markets against the losses accruing to them in India as a result of the rate war and before it would have become possible for the Royal Dutch Shell Group's point of view in their quarrel with the Standard Oil Company to prevail, the probability was that prices in India would have been so reduced that even with the compensation which would then have been payable by the Asiatic Petroleum Company, the position of the indigenous industry might have been considerably worse than it is now without compensation. The alternative course open to the Asiatic Petroleum Company was to reduce prices in China and in their other Eastern markets to such a level as would prevent the Standard Oil Company from securing profits there to set off against their Indian losses. I should emphasize the fact that in China and in their other Eastern markets the Royal Dutch Shell Group represented by the Asiatic Petroleum Company is in direct competition with the Standard Oil Company and the trade of the Asiatic Petroleum Company in their own oils is considerably larger than the trade in their own oils in India, where owing to their arrangement with the Burma Oil Company their selling organization handles considerably more indigenous oil than oil from its own sources.

I should like to say that owing to the upward movement in the American market the Standard Oil Company have been repeatedly pressing the Asiatic Petroleum Company for their co-operation to advance prices in China and for the reasons stated above the Asiatic Petroleum Company have as repeatedly refused to co-operate.

I hope that I have made it clear that although the compensation which the Board were led to believe would be paid by the Asiatic Petroleum Company to the Burmah Oil Company and through them to other indigenous producers has not materialized and is not likely to, the Asiatic Petroleum

Company have taken a step of much greater consequence to their organization in their effort to protect the Indian industry pending the result of the present enquiry.

Subsequent to my oral examination I was asked by the President if I could provide him with figures which would give a reconciliation between the average cost to the Pool of the contributions of oil made to it and the average price realized by distributors. Owing to the way in which the Pool accounts were kept, to provide the information asked for takes a good deal of time and rather than delay my reply any longer, I propose to submit to you next week a statement which I hope will meet the requirements of the President although it will not be possible to go back beyond 1st January 1925 without causing still greater delay.

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(2) *Letter, dated 9th June 1928.*

As promised in my letter of 1st June, I am now sending you statements which show in a very summarised form the results of the Pool's trading during half yearly periods from 1st January 1925 to 22nd September 1927. I also enclose a covering memorandum, which, I hope, will explain to you the method adopted for separating the oil contributed at Rs. 3-6-0 per unit from other Inferior Oil contributed from time to time at world prices.

The object of the statements is to enable you to see—

(1) how the cost of the oil contributed to the Pool by the various parties is reconciled with the payments which the Pool made to those parties for the cost of their oil, and

(2) how the payments which the Pool made to the parties are reconciled with the proceeds realised from the sale of oil in the market.

What I believe the President was particularly anxious to see was the extent to which the Pool had actually procured for the consumer an economy compared to world prices. This can be seen from the following figures:—

January to June 1925—

	Sales.	Proceeds realised.
		Rs.
Inferior Oil	7,461,302	3,35,15,385
Superior Oil	2,906,344	1,63,68,281
TOTAL .	10,367,646	4,98,83,666

Average per unit Rs. 4-12-11·803.

At the time the contributing prices for January to June 1925 were fixed, *viz.*, November 1924, the American Gulf price was 6¼ cents per American Gallon and the time charter rate was 8/6*d.* per ton per month, which is equivalent to £3-9-0 per ton of cargo. On this basis the contributing price for Superior Oil was worked out to be Rs. 5-0-8 per unit *ex-Installation*.

During this period the Pool produced an economy of Re. 0-3-8·197 Similarly for subsequent periods the figures are as follows:—

July to December 1925—

	Sales.	Proceeds.
		Rs.
Inferior Oil	7,561,820	3,33,11,685
Superior Oil	3,031,456	1,68,06,366
TOTAL .	10,593,276	5,01,18,051

Average price per unit Rs. 4-11-8·37.

Contributing price for Superior Oil was fixed in June 1925 when the American Gulf price was 6 cents per American Gallon, charter rate was 8/6*d.* per ton per month or £3-8-7 per ton of cargo, giving an *ex*-Installation price of Rs. 4-13-6.

The difference was therefore Re. 0-1-9·63 per unit.

January to June 1926—

	Sales.	Proceeds. Rs.
Inferior Oil	7,402,243	3,28,99,020
Superior Oil	3,156,660	1,74,62,629
TOTAL .	10,558,903	5,03,61,649

Average price per unit Rs. 4-12-3·76.

Contributing price for Superior Oil was fixed in November 1925 when the American price was 6¼ cents per gallon. Charter rate was 8/6*d.* per ton per month or £3-7-9 per ton of cargo, giving an *ex*-Installation rate of Rs. 4-14-1.

The difference was therefore Re. 0-1-9·24 per unit.

July to December 1926—

	Sales.	Proceeds. Rs.
Inferior Oil	7,244,909	3,16,82,909
Superior Oil	3,147,246	1,75,30,856
TOTAL .	10,392,155	4,92,13,765

Average per unit Rs. 4-11-9·24.

Contributing price for Superior Oil was fixed in May 1926 when the American price was 9½ cents per American Gallon. Charter rate was 8/6*d.* per ton month or £3-7-9 per ton of cargo, giving an *ex*-Installation rate of Rs. 5-13-4.

The difference was therefore Re. 1-1-6·76 per unit.

January to June 1927—

	Sales.	Proceeds. Rs.
Inferior Oil	7,299,357	3,19,87,523
Superior Oil	3,241,285	1,86,73,186
TOTAL .	10,540,642	5,06,60,709

Average per unit Rs. 4-12-10·79.

Contributing price for Superior Oil was fixed in November 1926 when the American price was 8 cents per American Gallon. Charter rate was 12/6*d.* per ton per month or £4-5-1 per ton of cargo, giving an *ex*-Installation rate of Rs. 5-13-4.

The difference therefore is Re. 1-0-5·21 per unit.

July to 22nd September—

	Sales.	Proceeds. Rs.
Inferior Oil	3,191,454	1,40,07,461
Superior Oil	1,288,401	74,31,258
TOTAL .	4,479,855	2,14,38,719

Average per unit Rs. 4-12-6·85.

In May 1927 when normally the price of Foreign Oil to be contributed during the second half of 1927 would have been fixed, it was found that no supplies of Foreign Oil would be required, the stocks already in the Pool together with the supplies of indigenous oil to be expected being sufficient for the requirements of the Pool.

Consequently no contributing price was fixed, although eventually it was found necessary to receive small quantities of Foreign Oil both Superior and Inferior. Had a contributing price been fixed in May 1927 for Foreign Oil to be received during July to December 1927, it would have been fixed on the basis of American prices ruling in May, *viz.*, 5¼ cents per American Gallon. Charter rate at that time was 12/6*d.* per ton per month or £4-5-1 per ton of cargo, giving an *ex*-Installation rate of Rs. 5-1-1 per unit.

Enclosure No. 1.

MEMORANDUM.

Summary of Pool Accounts, January 1925 to 22nd September 1927.

Summary Statements for each half-year commencing 1st January 1925 to 30th June 1927 and one statement covering the period 1st July to 22nd September 1927, showing the contributions by B. O. C. and A. P. C. to the Pool and the amounts paid to each party in respect of their shares of Pool Oil proceeds during each period are attached.

The following general notes on the accounting procedure in connection with Pool stocks and settlements are given for your information:—

1. *Contributions.*—(*a*) Contributions of each party were credited in each month's account with the respective contributions of the various classes of oils at the agreed contributing prices as fixed from time to time normally each six months.

(*b*) *Rs. 3-6 Kerosene.*—This was contributed at the rate of 97,500 tons per half-year. No separate account was kept for this special priced Inferior Oil. Contributions were included in the same account as contributions for Inferior in excess of the Rs. 3-6 quantity.

2. *Settlements.*—The Pool did not pay for oil received but only when sales were made, settlement being made monthly at the average cost of oil to the Pool each month for the number of units sold and lost by leakage during the same month.

Settlement for Inferior Oil was effected at the average rate of the contributing prices of Rs. 3-6 and other Inferior Oil. Settlement for Rs. 3-6 Oil was not made separately.

With particular reference to the enclosed statements we think the Superior Accounts are self-explanatory but we give the following explanations in connection with the Inferior Oil Account for the period January to June 1925. The same remarks apply to each of the succeeding periods with the exception of course of those applicable to the opening stock at 1st January 1925:—

Inferior Oil Account January to June 1925, Stocks at 1st January 1925.—The opening balances, both units and value, of B. O. C. and A. P. C. Inferior Oil Accounts at 1st January 1925 are as per Pool Accounts on that date.

These balances were as follows:—

	Units.	Rs.
B. O. C.	2,312,878	1,07,53,619
A. P. C.	371,782	19,00,866
TOTAL	2,684,660	1,26,54,485

and represented each party's interest in the Pool's stock of Inferior Oil as at that date.

As already explained Rs. 3-6 Inferior Oil was not kept separate from other Inferior Oil contributions and it has been necessary to allocate the above balances arbitrarily between these two classes of oil. The contributing prices during 1924 were Rs. 3-6 per unit and Rs. 5-8 per unit and these rates have been employed in effecting the allocation which is as follows:—

		Rs.	Units.	Rs.
B. O. C.—				
Rs. 3-6 Oil . . .	925,745	31,24,389		
Other Oil . . .	1,387,133	76,29,230	2,312,878	1,07,53,619
A. P. C.—				
Rs. 3-6 Oil . . .	67,734	2,28,602		
Other Oil . . .	304,048	16,72,264	371,782	19,00,866
		TOTAL .	2,684,660	1,26,54,485

Details of the calculation are as follows:—

B. O. C.—

Let x=quantity of Rs. 3-6 Oil.

Then Rs. 3-6 x+(2,312,878 units−x) Rs. 5-8, Rs. 1,07,53,619.

−Rs. 2, 125 x units=−Rs. 19,67,210.

∴ x=925,745 units.

∴ value of x=925,745 units @ Rs. 3-6, Rs. 31,24,389.

A. P. C.'s balance has been similarly allocated.

It is to be noted that A. P. C. under the Pooling arrangement are considered to have contributed a share of B. B. P. Co.'s Rs. 3-6 Oil.

Contributions during January to June 1925.—These are the actual contributions by each party during the period.

Settlements during January to June 1925.—As already explained settlement for oil sold, etc., is made monthly at the average cost to the Pool of oil during that month.

The total of each party's six monthly settlements were as follows:—

	Units.	Rs.
B. O. C.	6,392,880	2,84,90,255
A. P. C.	1,084,000	54,77,118
TOTAL .	7,476,880	3,39,67,373

These total settlements have been arbitrarily allocated between Rs. 3-6 and other oil in the ratio of the values of their respective stocks *plus* contributions during the period, details being as follows:—

B. O. C.—

	Rs. 3I6 Oil.		Other Oil.		TOTAL.	
	Units.	Rupees.	Units.	Rupees.	Units.	Rupees.
Stocks . .	925,745	31,24,389	1,387,133	76,29,230	2,312,878	1,07,53,619
Contributions .	3,048,678	1,02,89,285	2,655,010	1,45,98,564	5,703,688	2 48,87 849
	3,974,423	1,34,13,674	4,042.143	2,22,27,794	8,016,566	3,56,41,468
Settlement .	3,176,981	1,07,22,313	3,215,899	1,77,67,942	6,392,880	2,84,90,255

The A. P. C. settlement figure has been allocated on the same lines.

The effect of this method of allocation shows the rate of settlement of B. O. C.'s other Inferior Oil as slightly higher than the rate at which contributions were received, which however is adjusted through a consequent reduction in the value rate of B. O. C.'s other oil stock at 30th June 1925 carried forward to the following half year.

The allocation of the settlements for Inferior Oil between Rs. 3-6 and other oil must be on an arbitrary basis in view of the method of keeping this account and we consider the method employed above sufficiently sound and equitable for the present purpose.

Pool Suspense (Profit and Loss) Account.—Appended to each half year's account is a statement showing the result of each period's Pool trading operations.

The settlement figures shown on the debit side of the account is the total of the settlements made to both B. O. C. and A. P. C. during the period both units and value. In effect this debit represents the cost to the Pool of its sales and leakage during the period.

The credit side shows the average return to the Pool during the six months on its sales and the resultant difference is the profit/loss for the period.

Enclosure No. 2.

KEROSENE POOL SUSPENSE ACCOUNT, 1ST JANUARY 1925 TO 22ND SEPTEMBER 1927.

		Dr.	Cr.
		Rs.	Rs.
	Balance as at 1st January 1925	...	12,43,457
January to June 1925	Inferior Trading	4,51,988	...
	Superior "	4,494	...
July to December "	Inferior Trading	10,08,349	...
	Superior "	...	1,61,934
January to June 1926	Inferior Trading	3,93,597	...
	Superior "	...	4,07,612
July to December "	Inferior Trading	1,63,738	...
	Superior "	...	3,75,283
January to June 1927	Inferior Trading	8,77,846	...
	Superior "	...	5,02,058
July to December "	Inferior Trading	26,253	...
	Superior "	...	1,48,963
		29,26,265	28,39,307
		28,39,307	...
		86,958	...

Sundry Adjustments—

		Rs.
Drs.	Marketing Charges, 1925	2,38,210
	Ditto. 1926	10,02,758
	Minute 144, 1925	15,820
	Article 22, 1925	12,675
	Insurance adjustment, 1925-1926	15,233
	Ditto. 1927	914
	Excise Duty	1,22,925
	Sundry Expenses	2,02,313
	Loss on Anchor Trading	47,467
	Loss on Packages	42,309
		17,00,124

Less—

		Rs	Rs.	Rs.
Crs.	Minute 118, 1925	5,31,287		
	Do. 1926	1,82,837		
	Article 22, 1926	2,89,366		
	B. B. P. C. Recoveries	1,99,943		
	Profit on High Grade	31,820		
	Do. Exchange	15,256		
	Excess in Tanks	9.106	12,59,615	4,40,509
	Debit Balance .	...	...	5,27,467

Note.—Marketing Charges 1927 still to be adjusted.
Minute 118 1927 still to be adjusted.

Enclosure No. 3.

Summary of Kerosene Pool Accounts, January to June, 1925.

Inferior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
Stock as at 1st January 1925.	Rs. a. p.		Rs.	*Settlements.*	Rs. a. p.		Rs.
B. O. C.	3 6 0	9,25,745		B. O. C.	3 6 0	3,176,981	
A. P. C.	3 6 0	67,734		A. P. C.	3 6 0	185,153	
		993,479	33,52,991			3,362,134	1,13,47,205
B. O. C.	5·5	1,387,133	76,29,230	B. O. C.	5·5250	3,215,899	1,77,67,942
A. P. C.	5·5	304,048	16,72,264	A. P. C.	5·3982	898,847	48,52,226
Supplies.				*Stock as at 30th June 1925.*			
B. O. C.	3 6 0	3,048,678		B. O. C.	3 6 0	797,442	
A. P. C.	3 6 0	218,532		A. P. C.	3 6 0	101,113	
		3,267,210	1,10,26,830			898,555	30,32,616
B. O. C.	5·4985	2,655,010	1,45,98,564	B. O. C.	5·3977	826,244	44,59,852
A. P. C.	5·4954	1,060,843	58,29,772	A. P. C.	5·6857	466,044	26,49,810
		9,667,723	4,41,09,651			9,667,723	4,41,09,651

Suspense Account.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
Settlements (Sales and Leakages).	4·5430	7,476,880	3,39,67,373	Proceeds—Sales only	4·4919	7,461,302	3,35,15,385
			3,39,67,373	Loss	...	...	4,51,988
Debit Balance	...	...	4,51,988				3,39,67,373

JULY TO DECEMBER, 1925.

Inferior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
Stock as at 1st July 1925.	Rs. a. p.		Rs.	*Settlements.*	Rs. a. p.		Rs.
B. O. C.	3 6 0	797,442		B. O. C.	3 6 0	2,773,808	
A. P. C.	3 6 0	101,113		A. P. C.	3 6 0	133,712	
		898,555	30,32,616			2,907,520	98,12,882
B. O. C.	5·3977	826,244	44,59,852	B. O. C.	5·2273	3,117,688	1,62,96,975
A. P. C.	5·6857	466,044	26,49,810	A. P. C.	5·2731	1,556,999	82,10.177
Supplies.				*Stock as at 31st December 1925.*			
B. O. C.	3 6 0	3,107,763		B. O. C.	3 6 0	1,131,397	
A. P. C.	3 6 0	160,852		A. P. C.	3 6 0	128,253	
		3,268 615	1,10,31,575			1,259,650	42,51,309
B. O. C.	5·2703	3,507,288	1,84,84,413	B. O. C.	5·4672	1,215,844	66,47,290
A. P. C.	5·2506	1,972,561	1,03,57,148	A. P. C.	5·4409	881,606	47,96,781
		10,939,307	5,00,15,414			10,939,307	5,00,15,414

Suspense Account.

Settlements (Sales and Leakages).	4·5264	7,582,207	3,43,20,034	Proceeds—Sales only	4·4052	7,561,820	3,33,11,685
			3,43,20,034	Loss	...	...	10,08,349
Debit Balance	...	...	10,08,349				3,43,20,034

JANUARY TO JUNE, 1926.

Inferior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
Stock as at 1st January 1926.	Rs. a. p.		Rs.	*Settlements.*	Rs. a. p.		Rs.
B. O. C.	3 6 0	1,131,397		B. O. C.	3 6 0	2,928,542	
A. P. C.	3 6 0	1,28,253		A. P. C.	3 6 0	136,815	
		1,259,650	42,51,309			3,065,357	1,03,45,582
B. O. C.	5·4672	1,215,844	66,47,290	B. O. C.	5·2655	2,850,951	1,50,11,639
A. P. C.	5·4499	8,81,606	47,96,781	A. P. C.	5·2170	1,521,051	79,35,396
Supplies.				*Stock as at 1st June 1926.*			
B. O. C.	3 6 0	3,170,523		B. O. C.	3 6 0	1,373,378	
A. P. C.	3 6 0	97,039		A. P. C.	3 6 0	88,477	
		3,267,562	1,10,28,203			1,461,855	49,33,930
B O. C.	5·2495	2,934,471	1,54,04,517	B. O. C.	5·4182	1,299,364	70,40,168
A P. C.	5·1533	1,604,853	82,70,264	A. P. C.	5·3155	965,408	51,31,649
		11,163,986	5,03,98,364			11,163,986	5,0,398,364

Suspense Account.

Settlements (Sales and Leakages).	4·4764	7,437,359	3,32,92,617	Proceeds—Sales only	4·4445	7,402,243	3,28,99,020
			3,32,92,617	Loss	...	...	3,93,597
Debit Balance	...	...	3,93,597				3,32,92,617

JULY TO DECEMBER, 1926.

Inferior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
Stocks as at 1st July 1926—	Rs. a. p.		Rs.	*Settlements—*	Rs. a. p.		Rs.
B. O. C.	3 6 0	1,373,378		B. O. C.	3 6 0	3,275,080	
A. P. C.	3 6 0	88,477		A. P. C.	3 6 0	77,694	
		1,461,855	49,33,930			3,352,774	1,13,15,612
B. O. C.	5·4182	1,299,364	70,40,168	B. O. C.	5·2519	2,889,543	1,51,75,733
A. P. C.	5·3155	965,408	51,31,649	A. P. C.	5·2583	1,018,452	53,55,302
Supplies—				*Stocks as at 31st December 1926—*			
B. O. C.	3 6 0	3,226,535		B. O. C.	3 6 0	1,324,833	
A. P. C.	3 6 0	39,712		A. P. C.	3 6 0	50,495	
		3,266,247	1,10,23,591			1,375,328	46,41,909
B. O. C.	5·1817	2,754,815	1,42,74,691	B. O. C.	5·2713	1,164,636	61,39,126
A. P. C.	5·2859	700,734	37,04,072	A. P. C.	5·3736	647,690	34,80,419
		10,448,423	4,61,08,101			10,448,423	4,61,08,101

Suspense Account.

Settlements (Sales and Leakages).	4·3861	7,260,769	3,18,46,647	Proceeds Sales only	4·3731	7,244,909	3,16,82,909
				Loss	......	...	1,63,738
			3,18,46,647				
Debit Balance	......	..	1,63,738			...	3,18,46,647

JANUARY TO JUNE, 1927.

Inferior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
Stocks as at 1st January 1927.	Rs. a. p		Rs.	*Settlements.*	Rs. a. p.		Rs.
B. O. C.	3 6 0	1,324,833		B. O. C.	3 6 0	3,265,350	
A. P. C.	3 6 0	50,495		A. P. C.	3 6 0	63,578	
		1,375,328	46,41,909			3,328,928	1,12,35,133
B. O. C.	5·2713	1,164,636	61,39,126	B. O. C.	5·3734	2,493,498	1,33,98,498
A. P. C.	5·3736	647,690	34,80,419	A. P. C.	5·4842	1,500,999	82,31,738
Supplies.				*Stocks as at 30th June 1927.*			
B. O. C.	3 6 0	3,202,934		B. O. C.	3 6 0	1,262,417	
A. P. C.	„	63,314		A. P. C.	3 6 0	50,231	
		3,266,248	1,10,23,592			1,312,648	44,30,368
B. O. C.	5·3772	2,313,393	1,24,39,592	B. O. C.	5·2616	984,531	51,80,220
A. P. C.	5·5904	2,013,237	1,12,54,729	A. P. C.	5·6067	1,159,928	65,03,410
		10,780,532	4,89,79,367			1,70,80,532	4,89,79,367

Suspense Account.

			Rs.				
Settlements (Sales and Leakages).	4·4877	7,323,425	3,28,65,369	Proceeds—Sales only	4·3822	7,299,357	3,19,87,523
			3,28,65,369	Loss	...	...	8,77,846
							3,28,65,369
Debit Balance	...	...	8,77,846				

July to September, 1927.

Inferior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
Stocks as at 1st July 1927.	Rs. a. p.		Rs.	*Settlements.*	Rs. a. p.		Rs.
B. O. C. . .	3 6 0	1,262,417		B. O. C. . . .	3 6 0	1,471,953	
A. P. C. . . .	3 6 0	50,231		A. P. C. . . .	3 6 0	28,901	
		1,312,648	44,30,368			1,500,854	50,62,389
B. O. C. . . .	5·2616	984,531	51,80,220	B. O. C. . . .	5·1587	1,075,323	55,47,285
A. P. C. . . .	5·6067	1,159,928	65,03,410	A. P. C. . . .	5·5364	618,456	34,24,040
Supplies.				*Stocks as at 22nd September 1927.*			
B. O. C. . . .	3 6 0	1,470,369		B. O. C. . . .	3 6 0	1,260,833	
A. P. C. . .	3 6 0	17,587		A. P. C. . .	3 6 0	38,917	
		1,487,956	50,21,858			1,299,750	43,89,837
B. O. C. . . .	5·3844	950,689	51,18,918	B. O. C. . . .	5·5261	859,897	47,51,853
A. P. C. . . .	5·4034	282,086	15,24,236	A. P. C. . . .	5·5899	823,556	46,03,606
		6,177,838	2,77,79,010			6,177,838	2,77,79,010

Suspense Account.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
Settlements (Sales and Leakages).	4·3929	3,194,633	1,40,33,714	Proceeds—Sales only .	4·3891	3,191,454	1,40,07,461
			1,40,33,714				
Debit Balance . .	...	...	26,253	Loss	...	...	26,253
							1,40,33,714

JANUARY TO JUNE, 1925.

Superior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
Stocks as at 1st January 1925.	Rs.		Rs	*Settlements.*	Rs.		Rs.
B. O. C.	5·5474	940,590	52,17,846	B. O. C.	5·5273	2,302,495	1,27,26,798
A. P. C.	5·6245	361,654	20,34,131	A. P. C.	5·5974	651,368	36,45,977
Supplies.				*Stocks as at 30th June 1925.*			
B. O. C.	5·5145	2,330,618	1,28,52,373	B. O. C.	5·5159	968,712	53,43,415
A. P. C.	5·5659	527,845	29,37,970	A. P. C.	5·5689	238,132	13,26,130
		4,160,707	2,30,42,320			4,160,707	2,30,42,320

Suspense Account.

	Rate.	Units.	Amount.		Rate.	Units.	Amount.
Settlements (Sales and Leakages)	5·5428	2,953,863	1,63,72,775	Proceeds—Sales only	5.6319	2.906,344	1,63,68,281
			1,63,72,775	Loss	...	...	4,494
Debit Balance	...	...	4,494				1,63,72,775

July to December, 1925.

Superior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
Stocks as at 1st July 1925.	Rs.		Rs.	*Settlements.*	Rs.		Rs.
B. O. C.	5·5160	968,712	53,43,415	B. O. C.	5·3711	2,736,797	1,46,99,651
A. P. C.	5·5689	238,132	13,26,130	A. P. C.	5·5721	349,020	19,44,781
Supplies.				*Stocks as at 31st July 1925.*			
B. O. C.	5·2969	2,753,263	1,45,83,860	B. O. C. . . .	5·3063	985,177	52,27,624
A. P. C.	5·3871	495,027	26,66,780	A. P. C.	5·3317	384,140	20,48.129
		4,455,134	2,39,20,185			4,455,134	2,39,20,185

Suspense Account.

Settlements (Sales and Leakages) .	5·3938	3,085,817	1,66,44,432	Proceeds—Sales only . .	at 5·5440	3,031,456	1,68,06,366
Profit	...	...	1,61,934				
			1,68,06,366				1,68,06,366
				Credit Balance . . .	...	...	1,61,934

SUMMARY OF KEROSENE POOL ACCOUNTS.

January to June, 1926.

Superior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
	Rs.		Rs.		Rs.		Rs.
Stocks as at 1st January 1926.				*Settlements.*			
B. O. C.	5·3063	985,177	52,27,624	B. O. C.	5·2846	2,692,088	1,42,26,529
A. P. C.	5·3317	384,140	20,48,129	A. P. C.	5·3852	525,237	28,28,488
Supplies.				*Stocks as at 30th June 1926.*			
B. O. C.	5·2697	2,800,646	1,47,58,635	B. O. C.	5·2661	1,093,736	57,59,735
A. P. C.	5·4161	336,747	18,23,860	A. P. C.	5·3335	195,649	10,43,496
		4,506,710	2,38,58,248			4,506,710	2,38,58,248

Suspense Account.

Settlements (Sales and Leakages)	5·3010	3,217,325	1,70,55,017	Proceeds—Sales only	5·5320	3,156,660	1,74,62,629
Profit	...	...	4,07,612				1,74,62,629
			1,74,62,629	Credit Balance	...	...	4,07,612

JULY TO DECEMBER, 1926.

Superior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
	Rs.		Rs.		Rs.		Rs.
Stocks as at 1st July 1926.				*Settlements.*			
B. O. C.	5·2661	1,093,736	57,59,735	B. O. C.	5·3066	2,615,068	1,38,77,198
A. P. C.	5·3335	195,649	10,43,496	A. P. C.. . . .	5·5298	592,855	32,78,375
Supplies.				*Stocks as at 31st December 1926.*			
B. O. C. . . .	5·3293	2,885,914	1,53,79,800	B. O. C.	5·3220	1,364,580	72,62,338
A. P. C. . . .	5·6180	640,875	36,00,429	A. P. C.	5·6041	243,671	13,65,549
		4,816,174	2,57,83,460			4,816,174	2,57,83,460
			Suspense	*Account.*			
Settlements (Sales and Leakages)	5·3479	3,207,923	1,71,55,573	Proceeds—Sales only . . .	5·5702	3,147,246	1,75,30,856
Profit	...	...	3,75,283				1,75,30,856
			1,75,30,856	Credit Balance	...	...	3,75,283

JANUARY TO JUNE, 1927.

Superior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
Stocks as at 1st January 1927.	Rs.		Rs.	*Settlements.*	Rs.		Rs.
B. O. C.	5·3220	1,364,580	72,62,338	B. O. C.	5·4326	2,748,021	1,49,28,958
A. P. C.	5·6041	243,671	13,65,549	A. P. C.	5·7117	567,635	32,42,170
Supplies.				*Stocks as at 30th June 1927.*			
B. O. C.	5·5129	3,061,350	1,68,77,004	B. O. C.	5·4892	1,677,908	92,10,384
A. P. C.	5·7713	625,793	36,11,665	A. P. C.	5·7484	301,830	17,35,044
		5,295,394	2,91,16,556			5,295,394	2,91,16,556

Suspense Account.

Settlements—(Sales and Leakages)	5·4804	3,315,056	1,81,71,128	Proceeds—Sales only . .	5·7610	3,241,285	1,86,73,186
Profit	...	...	5,02,058				1,86,73,186
			1,86,73,186	Credit Balance	...	...	5,02,058

July to September, 1927.

Superior Oil.

—	Rate.	Units.	Amount.	—	Rate.	Units.	Amount.
	Rs.		Rs.		Rs.		Rs.
Stocks as at 1st July 1927.				***Settlements.***			
B. O. C.	5·4892	1,677,908	92,10,384	B. O. C.	5·4978	1,148,947	63,16,693
A. P. C.	5·7484	301,830	17,35,044	A. P. C.	5·7316	168,469	9,65,602
Supplies.				***Stocks as at 22nd September, 1927.***			
B. O. C.	5·5159	1,126,002	62,10,924	B. O. C.	5·5014	1,654,962	91,04,617
A. P. C.	5·6508	81,629	4,61,274	A. P. C.	5·7245	214,991	12,30,714
		3,187,369	1,76,17,626			3,187,369	1,76,17,626

Suspense Account.

Settlements (Sales and Leakages)	5·5277	1,317,416	72,82,295	Proceeds—Sales only	5·7678	1,288,401	74,31,258
Profit	...	...	1,48,963				
			74,31,258				74,31,258
				Credit Balance	...	...	1,48,963

Vacuum Oil Company, Bombay.

(1) *Letter dated the 16th April, 1928.*

We wish to place on record several features against interfering with the introduction into India of an independent petrol, and these reasons are—

(*a*) The present petrol combine, dominated by the Shell, are seeking to make use of their monopoly in interfering with the ordinary rights of motor car dealers in their own premises and insisting on these dealers discontinuing the sale of Gargoyle Mobiloil and other oils and instead selling Shell motor oil. We should not think that it would be the intention of Government to enable the petrol combine to perpetuate and probably increase their present arbitrary methods. Shell motor oil is not indigenous.

(*b*) There is no reason why petrol which is indigenously produced should cost the motorist more in India than the same petrol can be bought for in England, yet this is the case, and is a very strong point against any Government interference with import of an independent petrol so long as the price of that petrol is an economic one.

You may be interested in the attached copy of letter dated April 14th to the Secretary, Commerce Department, Government of India, Simla, and we beg to suggest that no consideration should be shown to the Burmah-Shell combination on the subject of petrol and which would result in condoning their present practices which are deprecated by the great majority of dealers in India, European and Indian, and to whom a ready reference could be made for the purpose.

(*c*) Cheaper petrol means more motorists and more Government revenue, and it is not in the interests of the motor dealers or motoring public that the price charged for petrol should be so high.

Do you consider that the petrol combine should remain in a position to dictate to dealers who are handling motor cars, tyres, lubricating oil as well as petrol, etc., and who are advised that unless they sell Shell lubricating oil and discontinue selling Gargoyle Mobiloil and other oil they will get no petrol? Do Government wish to perpetuate or make possible a continuance of such a system?

Enclosure No. 1.

COPY.

April 14, 1928.

Ads./Fds.

THE SECRETARY,

COMMERCE DEPARTMENT,

GOVERNMENT OF INDIA, SIMLA.

DEAR SIR,

We addressed the Central Revenue Board, Delhi, on March 8th and March 12th, and are informed in their letter C. No. 328/Cus./28, dated March 13th that they have referred the matter to the Commerce Department, Government of India.

As the Government have now decided on an enquiry by the Tariff Board on the question of safe-guarding the Petroleum Oil industry in India from injury by dumping imported kerosene oil, and also petrol, we think it all the more advisable that the present tactics of certain of the Companies controlling petrol now being used in India should receive consideration.

The Vacuum Oil Company were marketing their special lubricating oil for motor cars before the Shell Company came to India, and have continued to do so, and we are therefore not prepared to have our business damaged by the Shell Company under the false cloak of indigenous products.

We have worked for many years in friendly competition with the Burmah Oil Company, and while the present appeal by the indigenous companies

has been made without the addition of the Shell Company's name, there is reason to believe that the latter are at the bottom of the matter.

We would particularly call your attention to the following sentence which appears in the first official statement issued by the Burmah-Shell Combination, *viz.*, "In order to free India from the *menace* (*i*) of Shell competition"—It is only reasonable therefore to presume that the Shell insisted on certain terms from the Burmah Oil Company otherwise they would import Dutch petrol from the Dutch East Indies. Has this point been considered, or is it receiving attention by Government?

We think it will be found that the majority of consumers will welcome the advent of any other petrol, when in a country where petrol is produced we are paying more than in England where petrol is not produced, but is imported, from India, the Dutch East Indies, etc. It will therefore be very difficult to get consumers in India to agree to continue the petrol monopoly in its present form, particularly in view of the abuse being made of their monopoly by the Shell Company especially in seeking to enforce the sale of their own lubricating oils under threat of withdrawing supplies of petrol.

We attach a copy of the latest fulmination of the Shell Company. You will see that they have stated that they have *permitted* (*i*) us to *make use* of the Burma and Shell petrol organisation in order to *find* a market for Gargoyle Mobiloil.

This is a mis-statement of facts, because as stated earlier Gargoyle Mobiloil was in the market before the Shell Company were on the market in India, and again the so-called petrol organisation represents a number of independent dealers, who however will not be independent very long if the Government confirmed the petrol combine in their present position and tactics.

We would refer you to the closing sentence of the second paragraph of attached circular reading "we hope that you will be influenced by the value of petrol to you". This of course is a veiled threat that unless the dealer sells Shell lubricants petrol will not be supplied. Do Government wish to countenance this?

We maintain this attitude is due entirely to the Shell Company, and when all is said and done the Company with the least interest in India of the Companies handling petrol, because it is not handling its own petrol here and has only consented "to safeguard India from the menace of the Shell Competition" by the arrangement with the Burma Oil Company, *vide* their own official announcement broadcasted in the newspapers towards the end of last year. The Shell Company have wisely kept themselves out of the present application to Government, but that doesn't alter the facts of the case as they are the predomination partner of the combine.

According to the Shell circular referred to, the Burmah Oil Company has not marketed a brand of motor oils equal to our Gargoyle Mobiloils, and this in effect means that Gargoyle Mobiloils are justified in India, and any steps taken by the Shell Company or their confederates to restrict the sale of Gargoyle Mobiloils should not receive the countenance of Government, who themselves are large users of Gargoyle Mobiloil.

The convenience of the public requires lubricating oil to be sold side by side with motor dealers' shops and petrol pumps, and unless there is healthy competition it means that the more domineering section of the petrol companies in India would make it impossible for our oil to be obtained in places where their petrol is also sold. Are Government prepared to countenance this? The convenience of the public is a matter for the consideration of and protection by Government, and the protection of a national industry is entirely a different matter from the mis-use of the monopoly of that industry towards *other* ends. We don't handle petrol.

Yours very truly,

VACUUM OIL COMPANY,

General Manager.

Enclosure No. 2.

COPY.

9th March 1928.

THE ASIATIC PETROLEUM COMPANY (INDIA), LIMITED,
CALCUTTA.

DEAR SIRS,

Shell Motor Oils.

In the past the B. O. C. has not marketed a brand of Motor Oils under level terms with the Vacuum Oil Co., and has thereby had no opportunity of obtaining a reasonable share of the business done by the Vacuum Oil Company in high grade motor oils. In view of the popularity enjoyed by the "Shell" brand of Motor Oils, which have fully justified their claim to be the best obtainable, and as this brand has always been marketed at the same rates and subject to almost similar discounts as Mobiloil, it has been recognised that the obligation to permit the Vacuum Oil Company to make use of either the B. O. C. or "Shell" petrol organization in order to find a market for its premier brand of Motor Oils, namely "Mobiloil", has ceased to exist.

We therefore enclose a copy of our current dealers' price list and while drawing your attention to the fact that we offer a cash discount of 5 per cent. against the prompt payment discount of 2½ per cent. allowed by the Vacuum Oil Company we appeal to you to make every possible effort to convert your customers from the use of Mobiloil to "Shell" and hope that you will be influenced by the value of petrol to you a means of obtaining business in tyres, accessories, Motor Oils, etc.

We hope we shall have the pleasure of receiving an order from you at a very early date and when this comes to hand, shall at the time of execution, send you an adequate supply of advertising matter comprising customer's price lists (we enclose a copy now for your information), recommendation books and a wall chart.

Yours faithfully,

For THE ASIATIC PETROLEUM COMPANY
(INDIA), LIMITED.

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(2) *Letter, dated the 4th May 1928.*

I am enclosing a copy of a circular issued by the Burma Oil Company, dated 31st December 1927, and also a copy of a recent letter which has been brought to our attention by the dealer addressed, *viz.*, The Raja Cycle and Motor Works, Bangalore City, from which you will see that there is no difference whatever between the tactics of the Burmah Oil Company and the Shell Company in the matter of seeking to restrain dealers from marketing Gargoyle Mobiloil.

My object in bringing these to your attention is that previously the circulars which I sent you have all dealt with the Shell Company whereas I understand that Mr. Gray of the Burma Oil Company stated that his Company were not following this procedure, although I should find it difficult to believe that Mr. Gray made any such statement in view of the fact that it is so easy to disprove it.

Enclosure No. 1.

CIRCULAR TO ALL B. O. C. PETROL AGENTS AND DEALERS BOTH LOCALLY AND UPCOUNTRY.

V. O. C. Motor Oils.

The Vacuum Oil Company have just reduced the prices of their mobiloils by Re. 0-4-0 per gallon. The A. P. C. have followed this reduction with

their "Shell" Motor Oils. The V. O. C. have reduced the rates of discount and commission payable to dealers generally, but have offered an extra commission of 5 per cent. on packed and 10 per cent. on bulk to all dealers who will contract to sell only V. O. C. Mobiloils. We shall advise you shortly what steps the A. P. C. are taking to meet this action. In the meantime, we wish to make it clear that since we have appointed you to represent us for the sale of the "B. O. C." Motor spirit and since we the B. O. C. and A. P. C. are shortly being combined into one company, we shall take it as an unfriendly act if you agree to deal only in the V. O. C.'s Motor Oils. We expect you to deal in "Shell" Motor Oils of the A. P. C. to the fullest possible extent as well as in the B. O. C. Motor Oils. These two classes of oils are the best of their respective kinds and cover fully all your requirements. The terms on which they are offered for sale are attractive and far better than those offered by the V. O. C.

We hope to hear from you shortly that you will deal in the "Shell" Motor Oils of the A. P. C. and the Motor Oils of B. O. C. if you are not already doing so, and we shall be glad if you will acknowledge receipt of this circular at your earliest convenience.

Agents.

P. S.—We take this opportunity of mentioning that there is no prospect of the Standard Oil Co. introducing petrol into this area for a very long time to come as they have not yet even commenced to build installations at the Ports. We mention this as we have heard that representatives of the S. O. C. have been going round promising supplies of petrol at an early date.

Enclosure No. 2.

COPY OF THE LETTER FROM MESSRS. THE BURMAH OIL COMPANY, LTD.

Motor Spirits and Motor Oils.

We understand that you are dealing extensively in V. O. C. Motor Oils. If this is so, we must ask you to stop at once and sell in their place Shell, A. P. C. and B. O. C. Motor Oil, full particulars of which are enclosed. We do not allow any of our dealers to sell competitors' oils and unless you carry out our instructions we regret we will be obliged to stop further supplies of B. O. C. petrol to you.

Note by V. O. C.—It would not be in the interests of the customer addressed to have their name appear if any copy is made of the letter, so we have scored the name out.

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(3) *Letter dated 25th May, 1928.*

My attention has been called to certain statements said to have been made by Mr. Cameron of the Attock Oil Company in front of the Board on the 18th instant, and I will reply to these statements individually and in continuation of my letter of yesterday's date—

(a) *that formerly lubricating oils were imported but now there was an indigenous production of this oil.*

Answer:—There always has been in my 28 years' experience in India an indigenous production of lubricating oil, but it has been strictly limited and more or less confined to factory use, and at no time during my experience have indigenous companies quoted for, much less supplied, more than a restricted proportion of the railway business—and the reasons for these two facts are—that the indigenous companies had not the stocks to offer, and their oil (particularly the cylinder oil) was not very acceptable to railway officials in spite of low price. Even to-day I believe I am correct in stating that no indigenous

company is supplying cylinder oil to any railway in India. There must be a reason for this, and it most certainly is not that the imported oil is selling at a lower price, because that is contrary to facts, which can easily be ascertained from official sources without reference to any oil company.

(b) *An import duty of 1 anna 4 pies per gallon would hit this indigenous production.*

Answer:—Import duty is not levied on indigenous production, nor am I aware that indigenous production carries any tax whatever peculiar to oil, apart from the excise tax on exports of petrol from Burma.

(c) *that they were supplying axle oil to all railways in India.*

Answer:—This is an extravagant statement and I question whether the Attock Oil Company are supplying even six railways in India. They have supplied the North Western Railway with axle oil for six years or more and at prices at one time Rs. 120 per ton below competitors', and they are still in the region of Rs. 40 to Rs. 50 per ton below competitors. The Attock Oil Company's refineries of course are favourably situated as regards the North Western Railway stores, but that does not account altogether for the difference.

The Attock Oil Company also held the Great Indian Peninsula Railway axle oil business in 1923 and in 1924 at Rs. 140 per ton, which was away below competitors, and in 1925 and 1926 they did not quote, and I suggest that the reason why they did not quote in these two years for the G. I. P. Railway was that the production did not justify it. Public service companies cannot be confined to such an uncertain production.

This year the Attock Oil Company have got more business than they have had before and they have secured the East Indian Railway axle oil contract, but here also their prices were, in our case, from Rs. 50 to Rs. 60 per ton below us, according to method of delivery.

(d) *that it would be better to increase the duty on axle oil in order to protect indigenous production.*

Answer:—I think the figures I have given above indicate not only that indigenous production requires no protection but that Government should consider whether, if indigenous companies are able to sell lubricating oil at prices so far below competitors, they should not be invited to contribute towards Government funds by way of some excise tax on indigenously produced lubricating oil.

I have referred to the fact that the Attock Oil Company did not quote for the G. I. P. Railway business in 1925 and 1926, and on these occasions it is interesting to know that the Standard Oil Company secured the axle oil contract at Rs. 210 per ton on one occasion and Rs. 185 per ton on another against the Attock's price in the two previous years of Rs. 140 per ton.

In 1927 the Attock Oil Company again did not quote for the G. I. P. Railway but on this occasion the Asiatic Petroleum Company took it at Rs. 130 per ton: that is even lower than the Attock Oil Company's figure and our quotation was Rs. 185 per ton, and this was before the subject of Soviet oil was agitated. Exactly the same conditions existed in the present year, so it looks as if the Asiatic Petroleum Company's idea in keeping Russian oil from the market is that they think it might interfere with their supplies from the Dutch East Indies when they can quote as low as I have stated, and incidentally underquote indigenous production.

As a student of the oil situation for many years I should think that the indigenous companies' biggest menace is the Asiatic Petroleum Company (India) Ltd., withdrawing supplies from Dutch East Indies, and I would remind you that in the Burmah Shell public announcement the phrase occurs ' in order to free India from the menace of Shell competition ' or very similar words.

The present position is that the railways in India are largely dependent on imported supplies, and always will be as far as I can see. The railways in India require approximately 100,000 barrels of lubricating oil yearly, and if the indigenous companies have the production to cater for this business, why have they not quoted this year even except for the three big railways, such as the East Indian Railway, North Western Railway and the Great Indian Peninsula Railway. Indigenous companies cannot expect the railways to award them the business for which they (the oil companies) have not tendered.

The bulk of the oil used by the Indian railways is, and has always been, American, whether marketed in India by American companies or otherwise, as the various other non-indigenous oil companies now operating in India are drawing the bulk of their supplies from America, which can be seen from the import lists. I think one reason has been that American oil has been found more suitable for lubricating purposes than any oil that has been discovered so far: it certainly is not a question of low price, because American Companies cannot underquote indigenous companies and make a profit. It is significant to note that in 1927 the Burma Oil Company, the Attock Oil Company and for purposes of this letter we will include the Asiatic Petroleum Company only secured a little more than a third of the barrelegea, although they were quoting from Rs. 30 to Rs. 50 per ton below their competitors— and the same position applies in 1928 as regards prices, although the Attock Oil Company has obtained a bigger proportion of the business.

The Motor House, Rawalpindi.

Letter, dated the 21st April 1928.

This concern is desirous of recording its strong disapproval of the endeavours now being made by the petrol combine in India to offer obstacles to any independent petrol being available in India for the increasing number of Motorists, growing rapidly daily.

The salient objections are—That if a Tariff wall is placed against independent petrol and similar other products, such will have a very serious detrimental effect upon the welfare of the country generally, in so much as the present Petrol combine will still maintain its profiteering rates for the only petrol procurable.

Mechanical Transport has been solely responsible for considerable improvement in opening up wide tracks in this portion of India, benefitting the rural classes, enabling touring officers and the commercial community to cover wider spheres of action and should receive the whole support of the Administration to the greater degree than is available at present.

The taxation burden imposed upon this very essential mode of transportation is more than equitable at present and the granting of monopolies to profiteering institutions, would it is submitted increase such, to such an extent, that it would retard the progress now established.

A few years ago, one member of the present Petrol combine was formulated to produce and market Petrol and other products in N. W. India independently and very successfully marketed such at considerably lower rates than the hitherto only existing concerns.

Within a short space of time the concerns who had enjoyed larger financial resources threatened its extinction unless it arrived at an agreement to hand over all its supplies to the combine, to market themselves.

The outcome was increased rates immediately, which naturally impressed the public as profiteering.

The cost of Petrol, produced within 70 miles of Rawalpindi and refined at Rawalpindi is considerably higher than Petrol shipped hundreds and hundreds of miles from Burma and Iraq to Bombay: and unless free importation is allowed the public may anticipate further increases.

If the Petrol combine cannot compete with imported petrol on a commercial basis, they promulgate that they intend to exist solely upon unfair burdening of the public of India.

The Civilian Mechanical Transport of N. W. India is a very essential reserve for Military purposes as a tentative measure pending the arrival of reinforcements from Great Britain, in the event of a menace appearing.

This is considered as such an important factor, that A. H. Q. are at the moment reviewing suggestions by which a large majority of vehicles in this sphere be subsidized, to afford a lien upon them if required. This alone should be a influential claim for cheaper transportation, thereby increasing the number of vehicles, and allowing a larger field for selection.

In conclusion, as a commercial enterprise who depend entirely upon the motor business to maintain a staff of 30 to 40 employees in Rawalpindi, Peshawar and Srinagar (Kashmir) we lodge a strong protest to the efforts of the profiteers to offer obstacles to our future interests.

Indian Chamber of Commerce, Calcutta.

Letter, dated the 22nd April 1928.

With reference to your Press Communiqué, dated the 10th April, I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to communicate to you hereby their views on the Oil Industry Enquiry.

At the outset, my Committee take strong objection to the extraordinary haste with which the question has been referred to the Tariff Board and to the absolutely insufficient time of 2 weeks given to the interests concerned to submit their case, so as to reach the Tariff Board in Burma by the 24th April, and to the strictly limited period—the maximum being 68 days—by which the Tariff Board are ordered to enter upon the enquiry and to submit their considered recommendations to Government, as such a great haste cannot but make the enquiry superficial in character and will consequently decrease the confidence of the country in the recommendations of the Tariff Board.

Even in the case of the textile and coal industries which were in the throes of depression and which needed immediate relief of a substantial character, the Government did not order the enquiry to be finished in such a short time. The novel departure on this occasion for the oil industry, the demand for protection which has been strongly objected to by the commercial community in India, and which does not stand in immediate danger, should not leave you to believe that the industry is one which demands such precipitate haste in investigation. What my Committee would desire is that, as in the Steel Industry the Tariff Board should collect the representations from the Oil Companies. Consumers and other interested parties frame the questionnaire and then publish them both for the light of commercial and public opinion to be thrown on them.

Further, my Committee are of the opinion that the Tariff Board should take all measure to ensure a full study and investigation of the case under enquiry in all its aspects, if only to maintain the high standard of their judgment which would command the confidence of all shades of public opinion on the questions referred to them for enquiry.

Coming to the terms of reference my Committee regret to find that the enquiry is very much limited in scope. Indeed my Committee fail to understand the utility of conducting an enquiry into the grant of protection when the one most essential and vital factor, *viz.*, a detailed examination of

the costs of production is excluded from the terms of the enquiry. It is absolutely impossible for the Tariff Board to make any recommendations unless it can investigate to its satisfaction into the costs of production and financial resources, etc., of the Oil Companies and find out whether there is any possibility of reduction in such working cost by improved methods, by curtailment of overhead and other charges, etc. I am to point out here that in connection with the enquiry for the grant of protection to the Steel Industry, the entire cost of the Steel Industry were analysed and also published. The Burma Oil Company, however, has even expressed its unwillingness to disclose its costs of production and is even prepared to forego any assistance from Government rather than disclose its working cost. This makes my Committee suspect that the industry is making large profits and is unable to make out any case whatever for protection.

In fact, the following extract from the Stock Exchange Year-Book by Skinner for 1925 (page 2311 regarding the Burma Oil Company, Limited) makes one feel that the industry is rolling in prosperity:—

"The accounts are made up annually to December 31, and submitted in June. Ordinary dividends were paid free of tax to December 31, 1923. In July 1910 ordinary shareholders received a share bonus of 59 per cent. out of the reserve fund. For 1910 a dividend of 20 per cent. was paid; for 1911, 15; for 1912, 20; for 1913, 1914 and 1915, 27½ per cent. each year; for 1916, 30; for 1917, 32½; while a bonus of 50 per cent. was distributed to the ordinary shareholders in July 1918, out of the reserves; for 1918, 30 per cent. was paid on the increased capital; for 1919, 50 on an issued capital of £1,897,500 while a share bonus of 80 per cent. was distributed to the ordinary shareholders in July 1920 out of the reserve fund; 1920, 1921, 1922 and 1923, 30 per cent. on increased Capital. General reserve fund £800,000; insurance reserve £420,000; fire and marine insurance fund £613,106, carried forward £382,133, subject to corporation profit tax. Depreciation written off to December 31, 1923 was as follows:—Refineries, buildings, etc., £1,333,395 (against expenditure £1,897,629); pipe lines £455,741 (against expenditure £849,560); fields electrification £1,000,000 (against expenditure £806,644) and tankers boats, etc., £1,013,000 (against expenditure £1,930,318) while oil wells boring plant purchased oil, lands, tank, buildings, etc., have been written down to £372,689. Interim dividend 1924, 12½ per cent. (less tax) in November. Dividend on all classes of preference shares payable April 30 and October 31."

It appears from an analysis of the above that a shareholder who invested Rs. 100 by purchases of shares in the Burma Oil Company at par finds himself now in possession of stock of the fave value of Rs. 405 which will fetch at current prices nearly 1,800 rupees. On this investment he has already earned Rs. 966 in cash dividends, in addition to the stocks as stated above. On his original investment of Rs. 100 a shareholder got Rs. 121-8-0 in 1923. His earnings in 1924, 1925 and 1926 were also of no mean size.

Another producer of the oil industry earned during the year 1926 about Rs. 25 lakhs on a paid up capital of about Rs. 68 lakhs, and declared a dividend of Rs. 11 on each share on which Rs. 40 only were paid up.

My Committee are further informed that the Burmah Oil Company represents at least 80 per cent. of the oil interests in India and that it holds a large percentage of shares in the other 20 per cent. In face of the fact that the Burma Oil Company which has a predominant share in the oil producing interest of India is even prepared to forego any assistance of the Government rather than disclose its working cost, there appears hardly any justification for even pursuing the enquiry for the grant of protection. Nor, the interests represented by the other concerns are small and need not weigh at all in comparison with the interests of consumers at large who would be very adversely affected by any increase in the price of Kerosene. The production of oil has been expanding in many areas of the world and the result has been a downward trend of prices. It is only appropriate therefore, that the interests of the poor consumers in India which have always been

trotted forward as a bogey whenever protection to the Indian industries has been in contemplation should in this instance be really safeguarded and they should be allowed to benefit as much as possible by such a universal reduction in the price of oil. Besides, the oil industry, even to-day, enjoys a high protection of Re. 0-1-6 per gallon, being the difference in the excise duty on home production of oil and the tariff duty on imported oil. The import duty of Re. 0-2-6 per gallon works out roughly to 25 per cent *ad valorem*, the prices of kerosene being about Re. 0-10-9 per gallon.

In the opinion of my Committee, there is no justification for such a high rate of taxation also and in the interests of the consumers, such a high tariff duty should be abolished. If, however, the Government anticipate any deficit in the revenue as a result of the decrease in the yield of income, Royalty, license and other taxes now paid by the industry, the excise duty on home production of oil should be increased and fixed at Re. 0-2-6 per gallon, the duty now subsisting in imported oil. It may be that the advent of the cheap oil from abroad will curtail the present enormous profits of the Burma Oil Company and other companies in India, but it will be conceded that there is no justification for the grant of protection to this industry at the cost of and detriment to he interest of the consumers.

Kerosene oil, it may be mentioned here, is not an article of luxury, but a necessity of life and even a slight increase in the price of kerosene will result in putting it beyond the buying capacity of hundreds of thousands of people and in appreciation of this fact, the Tariff Board should do nothing which is calculated to enhance the price of kerosene to the masses, unless the industry stands in immediate danger of extinction. Taking into consideration the magnitude of the reserves of the Oil Companies in India and the fact that the Anglo-Persian Oil Company (in which the British Government has a controlling interest) has substantial holdings in the Burma Oil Company which is by far the largest producer of Oil in India, there is no possibility whatsoever of the extinction of this industry (*vide* chapter 29, pp. 456-457 of " The United States Oil Policy by John Ise).

Coming to the three conditions laid down by the fiscal Commision in paragraph 97 of their report which should be fulfilled by all industries which are claimants to protection, my Committee would observe that India possessing as it does natural advantages which have been almost exclusively exploited by foreigners till now are not enough to meet the increasing demand of oil in the country. Regarding the second condition my Committee would point out that the industry has never been hampered in its progress in the past for want of protection as can be seen from the fact that the industry has attracted enormous capital, and has had large returns on the capital in addition to the building up of the large-sized Reserves. It is not likely to be hampered in the future due to the powerful financial interests with world-wide ramifications they have come to be associated with it. As is natural under the circumstances stated above the industry has developed to its fullest possibilities and is at a stage of expansion beyond which it cannot go, as can be seen from the speech of Mr. W. T. Howison (chairman) at the Annual General Meeting of the Indo-Burma Petroleum Company, held this year. Even supposing it were possible, it would be desirable for India to conserve her irreplaceable mineral asset and not exploit it all at once, in view of the apprehended oil famine all over the world. Coming to the third condition my Committee would only say that the oil industry has been able to face world competition without protection even in the past and so that cannot be put forward as any ground for grant of protection. The fact of the greatest moment however is that the industry seeking protection is hardly Indian in any sense of the term, save that it is geographically situated in India. The oil industry has foreign capital, foreign control, foreign directorates, foreign investment and does not even grant facilities for training Indians to higher posts. In this connection it will be worthwhile for the Board to enquire into the history of the one sided contract by which all these Oil Companies are bound to the Royal Dutch Asiatic Pool, there would not have been any necessity for them for entering

into this price war with the imported kerosene, which has been initiated at the instance of the pool. But, as is well known negotiations are still going on between the Standard Oil Company and the Royal Dutch Asiatic Pool, for a settlement and for the division of profits over the purchases of the Soviet Oil, and at any time the negotiations may bear fruit and the rate cutting war may come to an end. These companies in the past had fought amongst themselves for shares in different oil-fields, or in oil, or for profits in distribution but in the end they have always come to an agreement. In this case also, there is every likelihood of their coming to an agreement at no distant date. Under these circumstances, the Indian Chamber of commerce is afraid that this Tariff Board Enquiry on the grant of protection to the oil industry of India may result in huge waste of energy, money, and time.

One of the terms of references is the enquiry into the likelihood of the price war extending to petrol, and the consequences to the Indian producers in that event. In this connection it would be worthwhile to note the anomaly that prevails regarding the price of petrol which is lower, in purely importing and non-producing countries like England, in spite of the transportation and other charges, than at the sea-ports and distributing centres in India which produces petrol herself. The Indian Oil Companies have been enjoying and will continue to enjoy for sometime to come a monopoly which gives them the liberty to fix the prices for petrol at their own sweet will. They will thereby distribute profits among their shareholders at the cost of the consumers and the high prices of petrol will also retard the progress of motor transport in India. The Burma Oil Company in a brochure recently issued by them state that the Indian production of petrol is now hardly able to meet the Indian demands. Considering this, as well as the great increase in the consumption of petrol in India in spite of higher costs, it will be seen that it is impossible for India to meet her own increasing demand in the future from internal production and it will have to import foreign petrol in increasing quantities every year. For creating a suitable marketing organisation, it would require a long time and big outlay of capital. It would be much better if this vexed question of protection to the oil industry which will retard such imports is settled once and for all time to come so that foreign production of oil may know the conditions under which they will have to work in India. The Agricultural Commission has already finished its labours and even made its recommendations. The Board Enquiry Committee is now conducting its enquiry. Their reports will doubtless contain recommendations for the extended use of machinery for agricultural purpose and for more scientific methods of machanical transport for marketing of Indian produce and for internal traffic, which will again mean the increased use of petrol. In this circumstances the benefits which would accrue to India from a cheap supply of petrol cannot be over emphasised.

My Committee would, therefore, suggest that in the light of these weighty considerations, the Tariff Board should only make such recommendations as would ensure a cheap supply of petrol to India which is only possible if the forces of full and free competition are allowed to run their natural course, unimpeded by Tariff barriers. My Committee further fail to understand the reason of this enquiry being confined to Burma alone. The field of competition of the Indigenous Oil with the foreign oil is not in Burma at all, but in India only (particularly in Bombay and Bengal). It is only fair therefore that the interests concerned, especially the consumers in India should be allowed more time to submit their case, and should be given an opportunity to appear before the Tariff Board to substantiate their statement, at some places in India. Hearing oral evidence at Maymyo only, which besides being not easily accessible, is beyond the seas and is difficult to reach without great inconvenience, loss of time, etc., will have the effect of discouraging the representatives of the consumers whose interests are bound to be affected by the decision of the Government, from appearing before the Board and submitting their case. My Committee therefore request you to make arrangements for taking oral evidence at some places in India.

However, if the Tariff Board do not see their way to examine the representatives of this Chamber in India, my Committee will consider the question of sending their representatives to tender oral evidence in Burma.

I am to express a hope that the Tariff Board will give their careful consideration to the various suggestions herein made by my Committee, and endeavour to accept them.

Burma Chamber of Commerce.

Letter dated the 23rd April 1928.

I am requested by my Committee to address you in reference to the enquiry into the conditions of the Oil Industry which will begin on the 24th April 1928.

2. This Chamber has been following with considerable concern the vicissitudes of the indigenous oil industry in India and Burma since the commencement of the rate cutting war in India during September of last year.

As an indication of the great importance of Petroleum to Burma, I would advise that the total value of Petroleum products exported from Rangoon during the official year ended 31st March 1928, as extracted from Custom House lists, amounted to Rs. 10,64,63,047.

The Petroleum industry has association, direct or indirect, with practically every other commercial interest in Burma other than the purely agricultural trades.

It has been pointed out in a recent speech by the Chairman of one of the local oil companies that the principal transport organizations of the province —Messrs. The Burma Railways Company, Limited, and Messrs. The Irrawaddy Flotilla Company, Limited—earn annually, in the shape of freights from the oil companies, the very large total of Rs. 33,00,000. Further, the oil companies purchase in local markets stores, for the oil fields and the workers thereon, to the extent of some Rs. 44,00,000 yearly. Although the members of this Chamber share in this particular trade to a negligible degree only, they regard such volume of trading in the local market as adding to the general prosperity of the Province, and consequently of very great importance.

It has been noted also that there are over 43,000 natives of India and Burma employed by the local oil companies, and the spending power of these employees amounts to some two crores of rupees each year.

As regards revenue derived by the State from the indigenous oil industry, this reached the important aggregate of three crores of rupees during 1926, the preponderating proportion of which goes to the Central Government, and further enquiry has ascertained that even this large total was materially increased during the year 1927.

With these immense figures before them, my Committee cannot avoid concluding that any conditions calculated to destroy or materially weaken the oil industry of Burma must be regarded from every angle of view as a serious public menace, not only to the commercial prosperity of the Province, but also to the well-being and the general contentment of the people.

3. I have now to refer to the cause of this rate cutting war, which was precipitated on the Indian markets six months ago and continues to-day with all its drastic consequences on Burma.

It would appear that the resort to the destructive policy of cut-throat tactics in the only markets open to our indigenous companies was decided upon by two powerful alien groups, both entirely unconnected with the development of the resources of Burma or of India, to settle, please note, a *private* dispute.

It affords great satisfaction to this Chamber, therefore, that Government have now called upon the Tariff Board to enquire into the position of the indigenous oil companies as affected by this rate cutting war. Burma has suffered much in the past from disastrous failures of oil prospecting syndicates.

In the search for oil in Burma many companies have gone to the wall and many crores of rupees have been lost. It seems unnecessary to name recent instances which are still prominently in the mind of the public. These costly disappointments have, however, reacted unfavourably on public confidence in development projects in Burma and it was the hope of the interests which my Chamber represents that this prejudice, if not disappearing immediately, would soon do so, as the result of the effluxion of time. This young Province is in sore need of capital to develop the natural resources which undoubtedly are present, but capital must have a reasonable assurance of protection from attacks of the nature of the present one if it is to be attracted to any undeveloped country. In the circumstances which surround the oil industry of Burma to-day, this necessary confidence in the security of capital is conspicuously absent.

On behalf of this Chamber, therefore, I beg to request that the Tariff Board will take these views into serious consideration and will recommend to the Government of India that steps be taken for the assistance and/or protection of the indigenous oil industry during the present critical period, and in the aftermath—for such aftermath there must be. I am further to suggest that whatever steps may be recommended to this end, they may include the arming of Government with powers which will suffice to ensure (1) no repetition of a position similar to the present one being possible; and (2) the rehabilitation of public confidence in the security of capital invested in development projects in this country.

Messrs F. M. Chinoy and Co., Limited, Bombay.

Letter dated the 24th April 1928.

With reference to the press communiqué published in the *Times of India*, dated 11th April, I have the honour to submit herein my views on the question of petrol prices in the hope that they will meet with due consideration at the hands of the Board.

I am the managing Director in the firm F. M. Chinoy and Company, Limited, whose main business is that of Automobile Distributors and Engineers. Soon after leaving Elphinstone College in 1904, I joined the firm, who had the privilege of introducing "Shell" Petrol in Western India. I have thus had special opportunities of closely studying the Petrol problem for many long years.

One is surprised to hear that certain Companies engaged in the production of petroleum in India have applied to the Government of India for protection. Such an application is to say the least, preposterous. An indigenous industry worked in the interests of the nation certainly needs protection but the Oil Companies engaged in the production of Petroleum in India cannot be by any stretch of imagination called "Indian". An Indian Company must be essentially composed of a majority of Indians on board with a capital mainly subscribed to in India and run for the benefit of India. If such an Indian Company pursuing an Industry for the welfare and advancement of the nation seeks protection against foreign competition, it certainly deserves every sympathy and support. Any one who has even studied for a little the question of Petrol prices and who can recall the special Pamphlets issued by the Motor Trade Association (a set of these are attached * herewith for your ready reference) and the persistant agitation which was carried on in the Press in the years 1920-1923 will at once declare that the Oil Companies in Burma have all along worked for their own benefit, regardless of the interests of the Motorists on the one hand and all other Industries dependent upon supplies of petrol on the other. They gave away bonus shares and increased the Capital without getting it subscribed and declared fat dividends for their shareholders built up gigantic reserves and callously ignored the huge outcry that was raised with a view to secure a reduction in prices.

* Not printed.

Indians can have no sympathy for the all-powerful Oil king who have denuded India of her wealthy resources. Petrol produced in India is naturally an Indian commodity and yet the Oil Companies have supplied the world's markets to the detriment of India. At one time the prices obtainable out of India were high and that was the reason for petrol exports and when owing to American and other competition world prices came down, the Oil Companies secured the special privilege from the Government of India of exporting their petrol without any duty corresponding to the excise duty which was levied on petrol consumed in India. This exemption was said to have been allowed to them to enable them to withstand foreign competition in the markets of the world. The result has always been that India has been starved in the matter of petrol supplies and has paid fabulously high prices. Bombay in particular suffered from petrol famines of varying intensity and a great agitation was raised in the local Press as well as outside. Even the *Times of India* in a leader, dated the 8th February 1921 thus wrote on the question:—

"It is only just that Burma should supply India first and other countries afterwards, and it is the duty of the Government to see that the interests outside this country do not have a free hand in the disposal of India's rights. If, as we believe to be the case, Burma Oil is going to Europe at the expense of India, the Government of India must control the disposal of Burma's output; and since Bombay is more likely to be affected than cities nearer to Burma, it is the Bombay Government who should make representation to the Government of India."

To the above quoted leader, Mr. C. N. Wadia, C.I.E., a well known merchant and Mill-owner of Bombay responded by a letter, dated the 9th February 1921, addressed to the Editor of the *Times of India* from which the following extract may be quoted:—

"The only remedy is for the Government to step in and point out to these profiteers that Petrol is a product of India, that Indian people must receive the benefit of this product before the rest of the world is allowed to share it and if the Petrol Companies fail to realize these axioms Government must step in to protect the Indian people and forbid the export of the petrol until the people of India have received the sufficient quantities for their need."

The petrol shortage in Bombay was attributed to the lack of bulk shortage in those years but the real fact was that profiteering on a colossal scale was going on. Under the caption "Petrol Profiteering Unmasked", the *Times of India* published a leader under date 24th February 1921, from which I quote below:—

"Early this month we urged the Bombay Government and the Government of India to investigate the present position in this country and to take steps to protect the Indian consumer from the depredations of the petrol profiteer. Proof of the soundness and need of these contentions is now to our hand in the shape of the report of the sub-committee appointed in England by the standing committee on prices to investigate the petrol position. The sub-committee finds that there is a serious danger of a world famine in motor spirit; that the Oil Ring has been and is shamelessly profiteering; that competitive enterprise is powerless to fight against the monopoly; that not even Government can hope to break the power of the ring by frontal attack; and that the only hope lies in the wholesale production of benzole, power alcohol, and other substitute."

The above extracts are given to demonstrate how the petrol Companies in India profiteered and caused the greatest inconvenience, annoyance and expense to the consumers of petrol in India. After making these general observations, I shall briefly indicate the prices of Petrol in Bombay which obtained for several years. Before the war the Petrol was 10 annas per gallon for the quality of Spirit now supplied. In 1916 it rose to Rs. 1-4-0 per gallon; later the Government imposed a tax of six annas a gallon to which the petrol companies added six pies and the price was accordingly

raised to Rs. 1-10-6. In February 1921, the retail price in Bombay was Rs. 2-1-0 per gallon. Despite the agitation carried on in the Press and elsewhere the Oil Companies steadily increased their prices to Rs. 2-3-0 and Rs. 2-8-6 during that year. In April, 1921, the Motor Trade Association (Western India) Limited, and the Western India Automobile Association made a joint representation to the Government of India against the high prices of petrol and urged immediate action. In December 1922, the Indian Merchants Chamber addressed a letter to the Government of India protesting against the unduly high prices of petrol and against the exemption of duty on petrol exported from India to foreign countries. Considerable interest was aroused in this question in different parts of India and in March 1923, a discussion was raised in the Council of State. Thanks to the elucidating statements made by the Hon'ble (now Sir) Phiroz C. Sethna and Prof. Kale, the Petrol question received great attention and though their efforts were not immediately successful, they did bear fruit in time and prices gradually dropped down and even the Government of India reduced the excise duty on petrol from 6 annas to 4 annas 6 pies, though exported petrol still continues to be exempted from duty.

The *Times of India* staunchly championed the cause of the Indian Motorist and in several illuminating articles pressed for a reduction in the prices of petrol. While commenting on the report of the Annual General Meeting of the Burma Oil Company in the leader published on July 2nd, 1923, the *Times of India* wrote:—

"If the Burma Oil Company can afford to pay (as it has done this year) a dividend of thirty per cent., on its ordinary shares put £200,000 to the reserve fund and carry forward £335,000 it can afford to reduce and reduce considerably the price of petrol in India without looking to the "poor Kerosine consumer" or any body else, for reimbursement."

I have been at pains to ransack my old files and give the above extracts from letters and articles in the Press with the object of proving the following points:—

(1) That the Oil Companies in India have for many years past profiteered on a large scale and amassed large income.

(2) That by securing exemption on the large quantities of petrol, approximately four-fifths of the entire out-put from the Oil Wells they have deprived the Indian Treasury of crores of rupees legitimate revenue.

And even to-day the price of petrol in India is much higher than in England. The current price in Bombay is Re. 1-0-6 per gallon which is equivalent to 1*s.* 6*d.* in English Money, whereas the same stuff when exported to England is sold there at lid per gallon which is tremendously cheaper.

For obvious reasons, the Oil Companies in India have never disclosed the actual costs of production but for the purpose of the present inquiry, the Board will doubtless insist on the Oil Companies furnishing them with the figures relating to the costs of production without which it will not be possible for them to determine what profits they have been making. In this connection it will be interesting to recall that prior to 1922, the cost of the Petrol was declared at annas 1½ in the Government records relating to Sea borne trade in India. This was for the petrol exported to foreign countries while the petrol which was sent to India from Burma, the cost was entered at Rs. 1-10-0. During the debate in the Council of State on the 5th March 1923, the Hon'ble Mr. Chadwick on behalf of the Government, made a statement wherein he apologised for the mistake in the declaration of the value of exported petrol, which, he said, was due to an oversight on the part of a Collector of Customs and that the mistake has since been rectified. Be this as it may, it is necessary to remember that for several years the public was misinformed as to the cost of petrol and if the Oil Companies have any case, they ought to come forward and give the actual figures to enable the Board to determine whether or not the Oil Companies have a very wide margin of profit so as to be in a position to withstand foreign competition.

When one considers the highly inflated prices which the Oil Companies have forcibly maintained in India owing to lack of Government intervention in favour of the Indian consumer and when further it is remembered that the Goverment Exchequer have lost crores of rupees on account of the preferential treatment meted out to the Oil Companies by allowing them to export petrol free of duty, one is irresistibly drawn to the conclusion that the claims put forward by them for protection against foreign competition are by no means justified.

Free trade ought to be the policy of any good Government and protection can only be allowed on grounds of national interests. If the rapacious activities of the Oil Companies are properly considered, one can have no sympathy whatsoever for them. They have massed a vast fortune in the past and can well withstand any competition in India for any length of time. Their financial resources are of the strongest and there is no reason why any protection should be given to them now. Simply because other Oil Companies are desirous of exporting their Petrol to India and of competing in the Indian market. As a matter of fact the Oil Companies in India have for over 11 years enjoyed special protection in the shape of exemption from duty on petrol exported to foreign countries at the expense of India and it is high time that even this protection was withdrawn in the interests of India.

Let there be free and healthy competition and may India derive the full benefits arising from such competition, resulting in lower prices for petrol which is such a valuable asset for every Industry and particularly for the Motor Industry, deserves well of the Government.

The Irrawaddy Petroleum Syndicate, Ltd., and the Moola Oil Company, Limited, Rangoon.

Letter dated the 25th April 1928.

With reference to your letter No. 398, dated the 24th instant, we have the honour to say that this Company is at present in the primary stages, having been re-organised recently and being in course of drilling wells for oil. * (The production of oil obtained at present by this Company is very small, although we expect to have an increased production in the near future.) We regret, therefore, we have not much informations within our reach to place at the disposal of the Board.

As regards the extent of the affect of present rate cutting war in Kerosene and Petrol, we would say that we have no data available to express any views on the question; having had no refinery of our own, but we may at the same time be allowed to say that we apprehend its adverse affect on crude oil prices, which would in turn tend to depreciate, and apparently it seems to have been affected to a certain extent, and will continue to be so affected if such condition prevails longer.

The smaller companies, whose production are very small, and who have no refineries of their own, have to depend on the prices their crude oil production fetches to them. If therefore the price of crude oil is adversely affected it would aggravate the position of the smaller producers, whose production being very small and the income thereby very limited.

The cost of production is going on increasing day by day; it being necessary to drill greater depths to obtain paying quantity of oil, than it was necessary a few years before. The shallow wells of 300/500 feet deep do not averagely give at the present day a production of one barrel per well per day, while the deep-wells of about 2,000/3,000 feet depths producing 30 barrels per day are considered fairly good. Compared to the productions obtained few years before, these figures were considered very poor production

* Omitted in the case of the Irrawaddy Petroleum Syndicate.

and negligible. During those days it was not necessary to drill any greater depths than 1,000 feet and the production was comparatively appreciable.

While the cost of production on the one hand is thus increasing and on the other hand the demand for oil is also increasing, and the production of the indigenous industry is not sufficient to meet such increasing demand, it seems necessary that new fields should be exploited. This cannot be done unless under normal conditions. To meet such increasing demand if the importation of crude oil is freely allowed in large quantities and if the imported crude oil costs cheaper than the prices prevailing for the crude oil produced in this country, the indigenous industry as a consequence would suffer, and the smaller producers will not find a market for their crude oil. The deficit of oil if thus procured from foreign countries, no further developments would be possible nor the drilling of further well would be carried out, and the smaller producers will be compelled to shut down further operation owing to their production of crude oil being neglected. Also in the event of the Standard or some other companies installing refineries in this country and procure foregoing crude oil for refining, the condition of the smaller producers will be rendered for the same reasons precarious.

We would therefore in the interest of the smaller producers (like ours) request that the Board will be kind enough to favourably consider:—

(1) that the importation of crude oil may be restricted to such extent as would not affect the indigenous industry, and

(2) that the import duty on crude oil may be imposed at such rates either fixed or sliding scales so as to keep the prices of imported crude oil in pace with the prices of the crude oil prevailing for the productions of the indigenous industry.

In conclusion, if we may be allowed to express our opinion about the protection to be allowed against the dumping of foreign Kerosene and Petrol, we would say that in the interest of indigenous industry the protection may be given.

Letter dated the 22nd May 1928.

With reference to the proceedings of the Board of enquiry Meetings appearing in the local press (in connection with the Board's proposal to consider the advisability of submitting importation of crude oil for refined kerosene), we beg to say that since writing our letter of the 25th April 1928, subsequent developments of the enquiry have compelled us to place our views on the matter before the Board for their consideration.

As we are chiefly concerned with the crude oil production, we view the importation of foreign crude oil with great alarm, which we consider as a direct hit on the indigenous industry inasmuch as the import of refined kerosene apparently can be checked by the increase of the country's product of crude oil but on the other hand the import of the foreign crude oil will bring about a ruin of the indigenous industry, for the obvious reasons that unrestricted import of crude oil primarily intended to supply the deficit, will ultimately compete the crude oil production of the country, and will hardly leave any place for the crude oil produced in India.

The imported foreign crude oil besides competing the indigenous production, would as apprehended, facilitate starting refining concerns financed by the foreign interest in several ports of India for refining imported foreign crude oil to market in India and would cost the indigenous production from the market, and would thus cause ruin to the indigenous industry.

The deficit as a matter of preferential right should be supplied by the indigenous industry itself as far as possible and for that purpose the indigenous industry should be allowed all facilities to try to increase its output of crude oil production.

Prospecting for increasing the output of the crude oil is only possible under healthy and normal conditions and by exploring various new fields. This prospecting of new fields needs vast sums of capital to be put in

regardless of its results and unless there is some recompense in the shape of reasonable profits from the oils of producing fields it is not probable that further explorations would be carried out any longer.

Unless the producers feel certain that their positions is secure and their production will not be rejected, for in the event of the foreign crude oil being imported, the producers will not find any market for their productions owing to the deficit being supplied from other sources, they will be compelled to discontinue further explorations, even the refining producers too would be obliged to suspend their further explorations to a certain extent owing to poorly paying results of crude oil productions for the more reason of deficit being supplied from other sources.

If further explorations work is suspended then the labour class employed in the oil industry will for the time being be rendered without employment.

The ultimate effect of suspension of exploration will result in the production being reduced to a considerable extent for if new wells are not brought into producing, the old wells which goes on declining gradually, will not be able to mentain the same production and there will consequently be a general decreases of oil in course of time.

It is a recognised fact and established beyond doubt that the petroleum industry is of highly national importance. Quotation of the extracts from the speeches by the distinguished personages, demonstrate the status the petroleum industry has in the economic development of a country.

President Coolidge says: "The supremacy of nations may be determined by the possession of available petroleum".

Mr. Elliott Alves, Head of British controlled oilfields says: "The country which dominates by means of oil will command at the same time the commerce of the world. Armies, navies, money, even entire population will count as nothing against the lack of oil".

Mr. Henry Berenger, Former French Ambassador to U. S. A. says: "Who has Oil has Empire . . . . . Empire of the world through the financial power attaching to a substance more precious, more penetrating, more influential in the world than gold itself."

If the country is to depend on foreign sources for its raw products, though primarily for its deficit only, but ultimately it will be reduced to live on the mercy of the foreign sources and the country will be deprived of one of its valuable assets.

The Oilfields of India including Burma may not be very big producers of oil in comparison with other Oilfields of the world, but it may be said that these fields are not yet fully developed and there is every probability of there being several regions still unexplored, the real value of which can only be ascertained by uninterrupted explorations. On the assumption that India or Burma will never be in a position to meet the demands of the country fully, the industry should not be deprived of its legitimate privileges and the explorations if carried on in same manner as hitherto been, there is possibility of some new fields being introduced whereby the demand of the country could be properly met.

The question of conserve of fields attaches very little value. as the development of Petroleum industry requires a huge sum of money, risks of a number of unsuccessful borings, long standing experience and a long period of years of patience and energetic working to bring about a success. In case of shortage or emergency a field once in dwindling stage, cannot be immediately made producing, and so, from the view point of National Importance, the Industry should be allowed to develop to its fullest extent rather than to allow the foreign oil to take its place in the Indian markets.

The consumer may be benefited duly or unduly for the time being by the present war. But this benefit is after all temporary and only during the pendency of the rate war, and therefore it should not be very seriously gone into. The consumers' benefit, if it is unduly, would not be maintained for long. The re-action of the rate war may be to the advantage or

disadvantage of the consumers, but if the market, is monopolised by foreign interest, it will probably be to their disadvantage.

Taking into consideration the character of National Importance of the industry, the protection to the industry from foreign attacks, in preference to the consumers' interest assumes paramount importance the consumers' interest though evidently regarded as secondary, but eventually it is the consumer who is actually more benefited by the sound position of the industry than in the event of the market being monopolised by foreign element.

We do not under-estimate the value of consumers' due benefit but the point of vital importance to the country lies in the fact that the imported foreign crude oil, will squeeze the Nations wealth, while the indigenous production will redistribute the same wealth in the country.

There are a number of Indian and Burmese Companies engaged entirely in the business of crude oil production. Those producers having no refineries will be most adversely affected by the importation of foreign crude oil and are liable to lose their capital of lacs of rupees invested in the business.

The Company is also one of the Indian concerns with practically all the Indian capital and Indian management, Indian Directors and Indian Staff. We are working as crude oil producers and are in the course of drilling wells for oil. We do not own any Refinery and are therefore selling crude oil as raw products. We have invested lacs of rupees in the business and are still putting in more capital and should therefore expect protection to the producers of crude oil like ours as well, as the importation of foreign crude oil will highly prejudice our interest and is also detrimental to the interest of the refining producers alike as already expressed by them.

* ("The Yomah Oil Company (1920), Limited having been recently amalgamated with this Company endorses the same view as embodied in this letter.")

The Buyers and Shippers Chamber, Karachi.

Letter dated the 27th April, 1928.

I am directed by my Chamber to enclose herewith a copy of this Chamber No. 461 of even date to the address of the Assistant Secretary to the Government of India, Simla, on the subject of protection to oil industries in India for the perusal of the Chairman and members of the Tariff Board.

Enclosure.

Letter No. 461, dated Karachi, 27th April, 1928 from the Buyers and Shippers Chamber, Karachi, to the Assistant Secretary to the Government of India, Department of Commerce, Simla.

In confirmation of my telegram of the 7th instant reading:—

"Committee Buyers Shippers Chamber strongly protest against reference made by non-Indian oil companies to Tariff Board demanding protection against alleged dumping of foreign oil. Present position not satisfying conditions laid down by Fiscal Commission as this industry not likely to be hampered if no protection given. Competition calculated to promote general consumers' interests. Should at any rate such enquiry considered necessary, cost of production—a vital factor—must be included in terms of reference" and with reference to your letter No. 141-T 39 of the 10th idem, I am directed by my Chamber to make the further following comments:—

As far as this Chamber is informed the financial conditions of the Burmah Oil Company Ltd., to protect which from the alleged rate cutting war in

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* Added by the Irrawaddy Petroleum Oil Syndicate, Limited.

regard to the sale of kerosene oil in India, enquiry is being instituted by the Tariff Board, do not warrant the extension of protection to this rich Corporation enjoying exceptional concessionary position. It is perhaps useful to go into the geneses of this Company if not from its incorporation say from the post war period.

Capital.—It originally started with the capital of £1,000,000 Sterling (subscribed in cash) which has subsequently been increased to £11,000,000. Issued capital £10,868,256 in the shape of ordinary and preference shares—the whole of the prior lien issues—has been subscribed for in cash, but unlike the preference shares the bulk of the ordinary capital has been by issue of bonus shares to the shareholders by capitalising profits and reserves, which mean deferred earning.

If a corporation can afford to mutiply its capital several folds from its earnings and without calling upon the shareholders to subscribe a penny thereto, they can least be said to be deserving of protection, more so, when their interests cannot but be served except at the cost of the country at large and chiefly from the poorer persons who cannot afford to have electrical connections.

The declaration of dividends for the last nine years is as under:—

	Dividends % Tax Free.	
1918	30%	
1919	50%	
1920	30%	and capitalised bonus of 80.
1921	30%	
1922	30%	
1923	30%	
1924	35%	
1925	35%	and capitalised bonus of 33½.

Carried forward at 31st December 1925 (after writing off £488,609 depreciation) £395,903.

General Reserve (after transferring £824,484 representing increased value in certain assets and £692,580 part of the undivided profits) £2,117,064 (since reduced to £460,000).

Fields expenditure equalisation accounts, £300,000.

Fire and Marine Insurance Account £761,873.

1926 . . . . 10% interim.

It is evident that the appeal put forward by the Company is least deserving of any consideration at the cost of the man in the street.

The cry of the Burmah Oil Company, Ltd., is not against foreign competition, as several other foreign companies such as the Asiatic Petroleum Oil Company, the Royal Dutch, the Shell Transport Trading Co., Ltd., the Anglo-Saxon Petroleum Co., work hand in gloves with them.

It is a camouflaged cry directed against the selling of Russian Oil, known as Soviet Oil, by the Standard Oil Company of New York, in the Indian markets, simply because the Standard Oil Company has decided to conduct their business for "Free Trade" and would not join hands for monopolising the trade.

The Soviet Oil is now called "Pilfered Oil" by the interested parties, but a fair question may be asked whether or not it is a fact, that in pursuance of the policy of the Oil Pool of which the Burmah Oil Company and their named associates, *viz.*, the Asiatic Petroleum Co., the Royal Dutch, the Shell Transport Trading Co., Ltd., and the Anglo-Saxon Petroleum Co., actually participated in importing in India and marketing this very so-called stolen Soviet oil at the pre-arranged high prices and which incidentally enabled them to sell petrol in United Kingdom with a sea carriage of 7,000 miles at a Shilling a gallon against Rs. 2-8-0 which at one time ruled to Re. 1 per gallon its prevailing price in Karachi with a sea carriage of 2,560 miles.

The B. O. C., in conjunction with their associates imported and marketed the following quantities of Russian Kerosene Oil into India and Ceylon:—

1923 Over 8,460,000 Imperial gallons.
1924 Over 10,690,000 Imperial gallons.
1925 Over 4,730,000 Imperial gallons.

But as they held the monopoly no cry was made either for foreign competition or for the moral side to boycott the pilfered oil.

The appeal would not have been made if there had not been the split amongst the erstwhile friends in exploitation of the consumer.

The main purpose of the Indian Tariff Board is to give protection to Indian industries, taking several other contributory conditions into considerations. Burmah Oil Company merely answers to the definition of "An Indian Industry" without the contributory conditions.

Neither is its capital Indian, nor is its administration in the higher branches any way Indian; we may concede that they employ a large number of labour which is Indian in character, because they find it more amenable to low wages. But outside of this fact they do not contribute in any way to the regeneration of the industry in India.

My Chamber regret that it cannot view the past and present B. O. C. as anything better than an economic exploitation of India, and there is absolutely no justification for any enquiry by the Indian Tariff Board.

But if the Government must favour the Company, then attention is invited to the very cursory and insufficient enquiry the Tariff Board is required to make which according to the terms of the reference has been confined only to questions bearing on the effect that the new competition has on the marketing operations of the B. O. C. without power to the Board to investigate the process and cost of production, which alone can serve as a criterion whether the industry which appeals for protection is deserving of it or not and if it be deserving, the extent to which it is entitled to such protection.

The absence of provision for this important standard to judge and verify the request for protection in the reference to the Tariff Board easily lends itself to be construed as an over eager desire on the part of Government to aid a doubtful claim, at the cost of the country.

And hence my Chamber urge that either this make-believe enquiry be totally dropped or the Board be empowered to go into all details regarding cost of production and transport especially with a view to prevent this company from making such abnormal profiteering at the cost of the consumer.

Indian Merchants Chamber, Bombay.

Letter No. 1128, dated the 3rd May, 1928.

I am directed to submit as follows the views of my Committee with regard to the Oil Enquiry which is at present conducted by your Board and the Press Communiqué issued by you dated the 10th April, 1928.

They have already expressed in their letter dated the 18th April, 1928, No. 970, their views that the time allotted to the different interests is too short for any satisfactory and comprehensive statement of views to be submitted and have to request you to be good enough to extend the period. My Committee have addressed a similar communication to the Government of India (copy of which is enclosed herewith for information). In view of these circumstances, my Committee trust that though their representation has been sent to you a few days later than the prescribed date it will receive due consideration at the hands of your Board.

My Committee have already requested your Board to include the important question of the cost of production in your enquiry and have also made the same suggestion to the Government in the representation they have addressed them. My Committee hope that the Tariff Board will, in light of all these facts, include the question of the cost of production in their Enquiry.

They have addressed you with regard to one other particular, *viz.*, the necessity for your Board holding the enquiry not only in Burma but also in some of the principal towns in India so that the particular viewpoint of consumers may be placed before them. Maymyo may be a good place so far as the oil interests are concerned, but the interests of consumers are not identical with those of the oil industry and it is, therefore, essential that the Board should include at least the Presidency towns in their itinerary. My Committee have emphasized this suggestion in their letter to the Government referred to above.

My Committee realise that for getting adequate information regarding the cost of production and for getting evidence from Associations or bodies representing the interests of consumers, it would be essential to have the period of time extended. They hope that your Board will address Government and induce them to extend the time originally proposed, and that you would arrange for the submission of your Report in October.

My Committee, in common with other commercial organisations were surprised at the great haste displayed by the Government in referring this question to the Tariff Board. Now that the enquiry, however, has been started, my Committee would not press for any withdrawal of the reference, but would, certainly press for the inclusion of the question of production costs and for making the enquiry as thorough, comprehensive and wide as possible.

Dealing with the merits of the case, my committee are constrained to observe that even now it is not clear how a case for protection has been *primà facie* made out. The Board cannot be unaware of the three conditions laid down in the report of the Fiscal Commission for giving protection to any industry. They feel that the oil industry, as such in this country, is precluded from putting forward any claim for protection because of the second condition, *viz.*, that "The industry must be one, which, without the help of protection, either is not likely to develop at all or is not likely to develop as rapidly as is desirable in the interests of the country". The Board will have occasion to see from figures given in the "Stock Exchange Year Book" by Skinner for 1925, how the oil companies have, instead of showing any signs of depression, been able to declare large dividends as also to give the shareholders bonus shares. In this connection a copy is attached herewith of a letter addressed to a local paper, giving all relevant facts and figures showing the very handsome profits oil companies have made. These facts, in the opinion of my Committee, stand undisputed and as long as they remain unchallenged there is no case whatsoever for giving any protection to the oil companies.

It is said in authoritative quarters that the Burmah Oil Company, which claims a production amounting to 80 per cent. of the total production in India, does not demand any protection. If this is so, there surely cannot be any reason for any measure of protection being even considered with regard to companies which may be producing the remaining 20 per cent. of oil.

The Minority Report of the Fiscal Commission laid down certain conditions with regard to foreign enterprise with reference to manufacturing industries in this country:—

(1) Such companies should be incorporated and registered in India in rupee capital;

(2) There should be a reasonable proportion of Indian Directors on the Board; and

(3) There should be reasonable facilities offered for the training of Indian apprentices.

None of these conditions is fulfilled in the case of the oil companies operating in this country and consequently no measure of protection should be possible. Even the majority report of the Fiscal Commission observed that:

"Where Government granted anything in the matter of a monopoly or concession, where public money was given to a company in the form of any subsidy or bounty, or where a license was granted to act as a public utility company, it was reasonable that Government should make certain stipulations."

It was added by them that:

"Where Indian Government was granting concessions or where Indian tax-payers' money being devoted to the stimulation of an enterprise, it was reasonable that special stress should be laid on the Indian character of the company thus favoured."

They recommended that:

"In all such cases it would be reasonable to insist that companies enjoying concessions should be incorporated and registered in India with rupee capital, that there should be a reasonable proportion of Indian directors on the Board and reasonable facilities offered for the training of Indian apprentices at Government expense."

This policy has been generally accepted by the Government of India. The oil companies even according to this cannot claim any protection, for they are all, so far as my Committee are aware, sterling capital companies with non-Indian directors, with a large, if not the whole, amount of their holdings in non-Indian hands and with no facilities for the training of Indian apprentices.

The President of the Tariff Board, my Committee are glad to note, in his speech at the beginning of this enquiry, wanted it to be ascertained if the oil enterprise in this country was a national undertaking. My Committee beg to observe that looking to all the circumstances mentioned above, the oil industry is not a national enterprise in any sense of the term. No enterprise, if it is not a national one, deserves any protection from the Government of India.

The history of the agitation carried on in the press in the years 1920 to 1923 is a sufficient evidence to the Tariff Board that the oil companies in Burma have all along worked for their own benefit regardless of the interests of all other industries. The anomalous position prevailed for many years, and even now prevails, that prices for petrol in England have been cheaper than those which rule in this country or even in Burma which is the place of production. Before the War, petrol was 10 annas per gallon for the quality of spirit now supplied. In 1916, it rose to Rs. 1-4-0 per gallon; later the Government imposed a tax of six annas a gallon to which the petrol companies added six pies and the price was accordingly raised to Rs. 1-10-6. In February 1921, the retail price in Bombay was Rs. 2-1-0 per gallon, which was afterwards increased to Rs. 2-3-0 and even to Rs. 2-5-6 during the course of that year. My Committee addressed a letter to the Government of India in December 1922, protesting against the unduly high prices of petrol and against the exemption of duty on petrol exported from India to foreign countries. The price of petrol in India is much higher than in England even at present, the current price in Bombay being Rs. 1-0-6 per gallon, which is equal to 1*s*. 6*d*. in English money, whereas the same stuff when exported to England is sold there at 11*d*. per gallon. My Committee feel, therefore, justified in saying that the oil companies in India have for many years past carried on profiteering and exploitation and that by securing exemption of the excise duty on the quantities of petrol exported, amounting approximately 4/5ths of the entire output from the oil wells, they have deprived the Indian Treasury of a large amount of legitimate revenue.

The oil industry even to-day enjoys a protection of 1 anna 6 pies being the difference in the excise duty on home production of oil and the Tariff duty on imported oil. The import duty of 2 annas 6 pies per gallon works out roughly to 25 per cent. *ad valorem* the price of kerosene oil being 10 annas 9 pies per gallon.

The Tariff Board cannot be unaware of the fact that whenever any important national industry puts forward a claim for protection in some shape or other, the contention is put forward against such a claim that the interests of consumers would be adversely affected. Such a contention has been proved to be quite hollow and advanced merely with a view to prevent any protection being given where it is due. Unfortunately, those who have raised such a contention in the past appear, with regard to the oil enquiry at least, to be

quite indifferent to the interests of consumers, though these interests should count a good deal if any genuine solution of the question were aimed at. The consumers of oil and petrol are people belonging to all classes from the highest to the lowest. Several big industries are now dependent, one way or another, upon petrol, and similarly transportation companies are also dependent upon it. The middle and poorer classes specially have to depend upon kerosene for lighting purposes, and all these classes of consumers as also these various industries have been mercilessly exploited in the past by the different oil groups, some of which have now come forward with a plea that the rate war will affect them adversely and that they must be protected. Up to this time there was no question raised from any quarter as to how the consumers were faring when the prices of such a necessity of like kerosene oil were forced up without any justifiable reason. Even now, so far as my Committee are aware, no statistics have been forthcoming to show that the prices at which kerosene is being sold for instance, are less than the cost of production. My Committee trust, therefore, that the Tariff Board will be pleased to have a searching enquiry into the cost of production and not merely base their enquiry upon the so-called world parity and the prices prevailing at the ports of import.

The procedure adopted by the Tariff Board with regard to this enquiry is to some extent different from that adopted in the past. In ordinary course, the oil companies should have been asked to submit their case and this should have been submitted to the different interests concerned in order to give them an opportunity of replying to the contentions raised by the oil companies. As matters stand, however, my Committee are precluded from knowing the case put forward or to be put forward by the oil companies, and in the absence of such knowledge, they have addressed this representation to the Tariff Board. When they are in possession of the case put up by the oil companies my Committee may supplement this representation by another dealing with the contentions of the companies in the light of the facts of proposals submitted.

In conclusion my Committee beg to hope that, in view of all what has been stated above, the Tariff Board will not recommend any measure of protection for the oil companies. My Committee would strongly support the contention, that all these oil companies should be required to turn themselves into rupee capital concerns with a majority of Indian directors, with 75 per cent. of their capital at least in Indian hands, and with arrangements for training of India apprentices. If there is any necessity for looking to all these requirements in the case of other industries, there is a greater necessity for insisting upon these conditions with regard to oil companies, as they deal with a stuff which forms the mineral wealth of the country, exploitation of which by foreign concerns is to the great disadvantage of this land.

Copy of letter No. 1070, dated the 28th April, 1928, from the Indian Merchants Chamber, Bombay, to the Secretary to the Government of India, Department of Commerce, Simla.

I am directed to address you with regard to the Press Note issued by the Tariff Board recently with regard to the enquiry regarding oil. The press note was published on the 11th instant and the different interests are asked to submit their views so as to reach the Tariff Board on or before the 24th instant, which means that the representations should be posted on or about the 17th. The time allowed is thus too short for preparing a case on such an important question as the one referred to the Tariff Board. It appears that the Government have asked the Tariff Board to submit their report on or before the 1st of July. My Committee, during the course of an interview with the Honourable Sir George Rainy, Member for Commerce, Government of India, on the 23rd instant, drew his attention to this question among others; and I am now directed by my Committee to request the Government of India to be pleased to extend the period for submission of their report by the Tariff Board. The reference to them with regard tc the oil industry is very important and it is essential that the different industrial interests as well as repre-

sentatives of consumers should be allowed a sufficient time for submitting their case. My Committee also urged before the Honourable the Commerce Member that the essential factor of the cost of production should not be left out of the terms of reference of the Tariff Board. Unless the time is extended as suggested here it is doubtful if satisfactory information can be made available on such an important item.

The Tariff Board have fixed Maymyo as the place where witnesses may be called for purpose of oral evidence. This they must have been obliged to do, because of the shortness of time at their disposal. My Committee think that Maymyo may be a good place for meeting the representatives of oil interests, but that representatives of other interests as well as of consumers would not find it convenient to go to such a distant place for giving their evidence. My Committee are, therefore, of opinion that the Board should include Calcutta and Bombay, at least, in their itinerary. Extension of time is necessary even for this purpose. My Committee trust this suggestion will be accepted by Government and that the Tariff Board would be asked to submit their report not in the month of July but some time in October.

Copy of letter appeared in the "Bombay Chronicle", dated the 30th March 1928, regarding India's struggling oil industry.

To

THE TAX-PAYERS OF INDIA,

The undersigned beg to request your support to the oil industry which although geographically situated in India is mainly run from somewhere near Glasgow which is 6,000 miles away from India. All the Directors of the biggest producer of this industry are without exception non-Indians, the Company being of course not a rupee company nor any of their highly paid officers Indians. However, every 'cooly' whether he be a punkhawalla or a rickshaw puller or a workman in the oil field is an Indian. The Commerce Department has come up to the mark in referring the grievances of this industry to the Tariff Board for an urgent enquiry, without, of course, reference to the cost of production as otherwise thousands of Indian *coolies* might be thrown out of employment. The grievances or the sufferings of the biggest producer of this industry will be self-explanatory when the following from page 2,311 of the Stock Exchange Year-Book by Skinner for 1925 is read under the heading of the Burmah Oil Company, Limited:—

"The accounts are made up annually to December, 31, and submitted in June. Ordinary dividends were paid free of tax to December 31, 1923. In July 1910 ordinary shareholders received a share bonus of 59 per cent. out of the reserve fund. For 1910 a dividend of 20 per cent. was paid; for 1911, 15; for 1912, 20; for 1913, 1914, and 1915, 27½ each year; for 1916, 30; for 1917, 32½; while a bonus of 50 per cent. was distributed to the ordinary shareholders in July 1918, out of the reserves; for 1918, 30 per cent. was paid on the increased capital; for 1919, 50, on an issued capital of £1,897,500 while a share bonus of 80 per cent. was distributed to the ordinary shareholders in July 1920, out of the reserve fund; 1920, 1921, 1922 and 1923, 30 per cent. on increased capital. General reserve fund £800,000, insurance reserve £420,000, fire and marine insurance fund £613,106, carried forward £382,133, subject to corporation profits tax. Depreciation written off to December 31, 1923 was as follows:—Refineries, buildings, etc., £1,333,395 (against expenditure £1,897,629); pipe lines £455,741 (against expenditure £849,560); fields electrification £100,000 (against expenditure £806,644) and tankers boats, etc., £1,013,000 (against expenditure £1,930,318) while oil wells boring plant purchased oil lands, tanks buildings, etc., have been written down to £372,689. Interim dividend 1924, 12½ per cent. (less tax) in November. Dividend on all classes of preference shares payable April 30 and October 31".

The above, if paraphrased by a layman (who is open to correction) works out to the result, that a shareholder of the Company who invested Rs. 100 by purchase of shares of this Company in 1902 buying the shares at part, then finds himself in possession of stock of the face value of Rs. 405. This stock will fetch in the open market at current prices Rs. 1,800 (even though competing with stolen Russian oil). On this investment of Rs. 100 he has already earned in cash dividends Rs. 966, besides additional stocks as stated above. On this original investment of Rs. 100 he got as dividend for 1923 Rs. 121-8-0. This it is presumed repeated very nearly in 1924, 1925 and 1926.

Another producer of this industry earned during the year 1926 about Rs. 25 lakhs on a paid up capital of about Rs. 68 lakhs and declared a dividend of Rs. 11 on each share on which Rs. 40 were paid up.

Be prepared with your contributions to support this poor and dwindling industry, if any funds are left with you after meeting losses in the textile, chemical and glass industry.

Burma Indian Chamber of Commerce, Rangoon.

Letter dated 5th May, 1928.

I am directed by the Committee of this Chamber to send hereby their views on the question of granting protection to the Oil industry in India, which has been referred for enquiry to the Tariff Board.

2. Before proceeding to examine the *pros* and *cons* of the question under reference, I am to inform the Board that my Committee have already communicated their views to the Government of India with regard to the manner in which the question has been referred to the Board for enquiry and the exclusion of an examination of the costs of production from the scope of the enquiry. My committee recognise that the Board is not at all concerned with the points referred to above. I am however directed to enclose herewith a copy of their letter to the Government of India as it may be of some assistance to the Board in their findings.

3. It has been the accepted policy of the Government of India not to grant protection to an industry unless it fulfils the conditions laid down in paragraph 97 of the report of the Indian Fiscal Commission. My committee therefore propose to examine, at the outset how far the oil industry in India fulfils these conditions.

The first condition laid down by the Fiscal Commission is "that the industry must be one possessing natural advantages, such as an abundant supply of raw material, cheap power, a sufficient supply of labour or a large home market". So far as raw material is concerned, the production of indigenous petroleum is slowly but surely declining. According to the last published report of the Director, Geological Survey of India, in spite of the extensive and costly efforts made by the leading oil companies in exploratory work, no new strike of oil, giving promise of any appreciable addition to the underground reserves in this province was recorded. While on the one hand, the indigenous production is gradually decreasing, there is noticeable a gradual increase in the imports of petroleum to supplement the needs of the country. I am to quote below the figures of the indigenous production and imports for the years 1921 to 1925 and 1921-22 to 1925-26 respectively:—

Indigenous Production.

Year.	Gallons.
1921	305,683,227
1922	298,504,125
1923	294,215,053
1924	294,571,692
1925	289,606,542

Imports of Mineral Oils.

	Gallons.
1921-22	122,970,421
1922-23	132,903,605
1923-24	168,902,483
1924-25	187,276,994
1925-26	200,409,526

It will be obvious from the figures cited above, that about 40 per cent. of the oil required for the needs of the country has at present to be imported and that as the production is gradually declining, the imports are bound to increase proportionately. Moreover, there appears to be no tendency towards any increase in indigenous production or even towards the decline being checked. It will therefore be evident that so far as the abundance of raw material is concerned, the oil industry fails to satisfy the first condition laid down by the Fiscal Commission. I am further to point out that besides the three main conditions (the second and the third my committee will discuss later on) the Fiscal Commission has laid down certain additional factors which would strengthen the case for protection (paragraph 98). In doing so, the Commission observes that "another class of industry, which should be regarded with a favourable eye is that in which there is a probability that in course of time the whole needs of the country could be supplied by the home production". Even when the production of indigenous petroleum was at its maximum, an appreciable quantity had to be imported from foreign countries and with the production gradually declining, it is obvious that the imports must increase proportionately. My Committee do not overlook the remarks of the Fiscal Commission in the same paragraph, *viz.*, "It does not of course follow that, if an industry is never likely to supply more than a certain proportion of the country's requirements, it would not be a fit subject for protection". But it may be pointed out that in such a case, the industry must fulfil condition (3) which the oil industry fails to do as my committee will presently show.

The second condition laid down by the Fiscal Commission is that "the industry must be one which without the help of protection either is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country". This condition hardly needs any examination in the case of the oil industry, which is fully developed and has made enormous profits all these years and paid fat dividend to the shareholders besides building up huge reserves.

The third condition laid down by the Fiscal Commission is that "the industry must be one which will eventually be able to face world competition without protection". The very fact that the petitioning oil companies have been able to face world competition without protection in the past and though paying fat dividends and holding large reserves, have rushed to Government for protection as soon as there is a beginning of competition from outside, proves that the protection is not so much sought with a view to meet the rate war as to conserve to themselves and their own favoured foreign group, the monopolistic rights which they have acquired and long enjoyed in the Indian market to the detriment of the Indian consumer. It is also worthy of note that the policy of the oil companies in India has been dictated in this instance not so much by their own interests or in the best interests of India but by their solicitude for the interests of a foreign group with which at least the largest producers of this province are very closely connected. This is obvious from the Statement of the petitioning companies themselves that the war is between the Royal Dutch Shell Group and the Standard Oil Company. My committee therefore feel that the attitude of the petitioning oil companies is wholly indefensible on economic grounds and they are firmly of opinion that all monopolistic activities in the matter of trade, more specially by non-Indian interests, must be discouraged by all possible means.

It need hardly be stated that the conditions mentioned above contemplate the protection of new and nascent industries. The oil industry in India is by no means nascent. It has been in existence for a number of years in a

very flourishing condition so much so that the profits of some of the big oil companies have been almost fabulous. Under such circumstances, if the companies are not able to meet the condition now in progress, which is not likely to be permanent, my Committee do not think that Government would be justified in taking measures which may mean an economic loss to the country without any compensating advantage.

It will be clear from what has been stated above that so far as the conditions laid down by the Indian Fiscal Commission are concerned, the oil industry, on economic grounds, can hardly support its claim for prtection. The industry in the opinion of my Committee has thus failed to make out a *primà facie* case for protection.

4. Coming to the grounds on which the oil companies base their claim for protection, my Committee note that the companies ask for protection against the injury inflicted on them by the kerosene price war now in progress in India between the Standard Oil Company of New York and the Royal Dutch Shell Group. The immediate cause of the price war is said to be the purchase by the Standard Oil Company of New York from the Soviet Government of Russia of kerosene which, the Royal Dutch Shell claim, belongs wholly or in part to them. The companies state that as a result of the price war kerosene is being sold at prices which will be low in world parity and it is from serious losses consequent on these uneconomic prices that they ask for protection.

5. Before proceeding to examine the grounds referred to above, I am directed to bring to the notice of the Board some of the points, which my Committee think should be seriously considered by the Board. The first point that strikes my Committee is that the petitioning companies do not include a single company which may be called a purely Indian company, although there are some such companies in existence. It may further be interesting to examine the position of the petitioning companies in reference to the interests of this country. The Burmah Oil Company has its capital in sterling and is registered in England, with no Indian on its Board of Directors. Similarly the British Burmah Petroleum Company is also a sterling company registered in England with one Indian on its Board of Directors. The Indo-Burmah Petroleum Company is a company registered in India in rupee capital but it is practically controlled by non-Indians, having only one Indian on its Board. These are the only three principal companies among the petitioning companies to which the other companies act as subsidiaries. In the higher services of these companies there are hardly any Indians or Burmans employed. As for the condition of labour which these companies employ my Committee beg to draw the attention of the Board to the Burma Oilfields Act 1918 and especially the amending Act of 1927, which, in their opinion, go directly against the accepted principles of the rights of labour, placing as they do the labour employed in the oil industry on a footing different from that enjoyed by labour in other industries.

6. My Committee will now proceed to examine the grounds referred to in paragraph 4 above. In this connection, it is necessary to determine as to who began the price war. The information at the disposal of my Committee indicates that it was the Royal Dutch Shell Group, which conceived and organized and initiated the price cutting with a view to keep out oil imported by the Standard Oil Company. The statement of the Standard Oil Company of New York throws a flood of light on this phase of the question. It is clear that the price warfare was initiated by those very interests who are now crying for protection not to meet competition but to preserve the their monopoly of the Indian market. The petitioning companies with their foreign group would thus appear to claim a permanent monopoly of the Indian market which my Committee submit, is hardly justified. If the needs of the country have to be supplemented by imports under all circumstances, it is only fair that free competition should be allowed and the country should not concern itself as to the source of the supply so long as there is no unfair or improper competition.

7. The petitioning companies allege that the Standard Oil Company can market the Russian oil cheaper because 'stolen' by Russia from the Royal

Dutch Shell Group itself, and secondly that the Russian production is being dumped on to the markets of Europe and the East *directly for political or for financial reasons with* political objects. As for the first allegation it would appear that prior to the year 1926, the Dutch Shell Group also purchased Russian oil and further that England is even now importing large quantities of oil from Russia. If England can use Russian oil my Committee maintain that India has as much right to do so. They further claim that all foreign companies have as much right to trade with India as the Dutch Shell Group. As regards the second allegation, my Committee fail to see what political ends the Standard Oil Company hopes to serve by supplying cheap oil. My Committee feel that such statements are calculated to fog the whole issue.

8. It will be clear from what has been stated above that on economic grounds as well as on the strength of the arguments on which the oil companies base their claim for protection, the oil industry in India deserves no protection at present. The companies state that unless protection is immediately granted, the very existence of some of the weaker companies will be in danger. My Committee would urge the Tariff Board to examine this statement very closely because if it is so, it would have a very important bearing on this matter. In all such cases of competition in rates, and consequent demand for protection my Committee are strongly of opinion that the burden of proving the existence of unduly lower prices must lie wholly on the party claiming protection, and such party must prove beyond doubt the necessity for protection before the State can agree to grant any assistance. If industries, without any economic necessity, are actuated by considerations like the preservation of a monopoly in taking the risk of measuring their strength with other concerns, my Committee feel that the State would not be justified in rushing to their assistance at the cost of the general tax-payer.

9. My Committee have so far examined the question only from the economic point of view, and have come to the conclusion that the oil industry in India does not deserve protection. At the same time they cannot overlook some practical considerations having a close bearing on the question. They cannot but view with alarm any serious and permanent injury as a result of the present rate war to some of the smaller concerns, which are in no way responsible for this war fought between giants but the effect of which is likely to be felt more quickly by the weaker concerns than the giants themselves. Such a position, added to the present depression of trade in Burma, would make the picture indeed gloomy.

10. Though believing that the industry as a whole would not die as a result of the present competition, my Committee realise that it is possible that smaller companies may be badly hurt and the potentiality of the larger companies may be reduced. If the Board are satisfied after careful and comprehensive enquiry that this is the likely result of the present rate war, my Committee would not oppose some temporary measure to relieve the industry from the present distress. They however do not think that an increase of two annas or so per gallon in the import duty on kerosene or petrol or the remission of the excise duty can stop the war or give protection to the industry. The Standard Oil Company and the Dutch Shell are too strong to be deterred from pursuing their war in the Indian market by such means, and some of the local companies are bound to pursue the war because of their extra territorial interests. My Committee therefore believe that the remission of the excise duty or an increase in the import duty may go to reduce losses but will not give adequate protection to the industry. Moreover, even if either or both of these courses are adopted and the rate war does continue, as my Committee expect it will, the natural result will be the lowering of prices of crude oil purchased by refining companies from producers. So far as my Committee are aware, this has happened to a certain extent and may increasingly affect the oil companies. Therefore eventually the oil producers would be the sufferers. As regards the sale of kerosene and petrol, my Committee can see only one way of adequate protection of the industry, the consumers and the State revenue alike and that is through a State monopoly, or the regulation of sale prices by the State in India. My Committee however would clearly state that in either case the open door policy should be main-

tained, and no oil interest should be debarred from selling its products in India.

11. My Committee would further state that in their opinion the industry of refining crude oil should be given all encouragement and support. Crude oil should be freely allowed to come into the country at a price to be decided upon from time to time in accordance with a fair price of the indigenous crude oil. Such a policy would undoubtedly increase the production of refined oils and gradually reduce the import of such oils, and consequently the chances of rate wars in future in India would be reduced. My Committee would urge that in the importation of crude oil, no bar should be placed in respect of the country of origin.

Enclosure.

Copy of letter No. G. L. 15/28-29, dated the 5th May, 1928, from the Secretary, Burma Indian Chamber of Commerce, to the Secretary to the Government of India, Department of Commerce, Simla.

I am directed by my Committee to address you with regard to the action of the Government of India in referring the demands of the oil companies in India for protection to the Tariff Board for enquiry.

At the outset, I am to convey the protest of my Committee against the precipitate manner in which the matter has been referred to the Tariff Board and the shortness of time allowed to them to complete their investigations and submit their report to Government. My Committee feel that it would hardly be possible for the various interests, desiring to place their views before the Tariff Board, to go fully into the merits of such an important question and submit their considered views to the Board so as to leave them sufficient time to consider the same within the period allowed for the enquiry. It is therefore apprehended that it will hardly be possible for the Board to carry on a thorough and comprehensive enquiry into the question which is admittedly indispensable in all such cases. If the action of Government in this instance is compared with the studied indifference they have consistently shewn to those indigenous industries, which are truly national in every respect, it will be obvious to any impartial observer that in the present case, Government, instead of examining the question on its merits, has yielded to the pressure of influential vested interests and have consequently referred it to the Tariff Board apparently without pausing to enquire carefully, as they always do in all such cases, whether the industry had made out a *primâ facie* case for protection. The precipitate action of Government in this case and their leisurely and procrastinating policy in regard to the cotton textile industry and other important national industries is a very interesting, though painful, study in contrasts which would appear to indicate that even in purely economic and industrial matters Government are prone to disregard national interests and to yield to the influence of powerful vested interests.

3. My Committee further beg to protest against the exclusion of the cost of production, from the scope of the enquiry of the Tariff Board. They consider this exclusion as most unwarranted and unjustified because it can hardly be disputed that it is the most essential basis for determining whether an industry deserves protection or not. It will hardly be contested that the oil companies, which have approached Government for protection, have up till now enjoyed a practical monopoly not only in the matter of supplying indigenous oil but also in the matter of imports which have been practically controlled by the Royal Dutch Shell Group with which some of the petitioning companies are closely connected, keeping all competitors out of the field. As a result, it is the general belief of the Indian public that these companies have all these years exploited the Indian consumers to the immense benefit of their shareholders. This position would lend colour to the belief that an examination of the cost of production has been deliberately excluded from the scope of the enquiry. My Committee however are glad to note that the Tariff Board in their communique have asked the companies to supply the information relating to the costs of production which strengthens the state-

ment of my Committee made above that it is the most essential basis for determining whether an industry deserves protection or not.

MaharashtraChamber of Commerce, Bombay.

Letter dated the 11th May, 1928.

I am briefly to submit as follows the views of the Committee of this Chamber for the consideration of the Tariff Board.

The Committee of this Chamber does not believe that there is a *primâ facie* case for protection made out by the so-called Indian Oil Industry for a reference to the Tariff Board, and that being so the question of protection does not arise. It is not an infant industry. Although an industry might receive protection at any stage of its development according to the recommendation of the Fiscal Commission (paragraph 100), it must satisfy condition No. 2 mentioned in paragraph 97. And this the Indian Oil industry does not do.

The Oil industry in India is not moreover a national undertaking, one may look at it from whatever point of view, one likes. Its capital and management are both almost wholly foreign, and there is no scope in it for Indian intelligence. The simple fact that it is located in India cannot make it a national enterprise. The Oil Companies in India have never showed any solicitude for the interest of the Indian consumer and their whole attitude is that of a cruel shephard who closely places his sheep for money even in winter.

Burma Oil Company is responsible for nearly 80 per cent. of the total output of Indian Oil, the remaining seven or more companies producing 20 per cent. between them. Burma Oil Company has been for years together paying handsome dividend on its shares, giving bonus shares and also making large additions to its reserve fund. Petrol sells dearer in India than in England though it is produced in Burma. It is needless to stress this point further. It shows clearly the Oil Companies' attitude towards Indian interests in their feverish haste to make money. It is to be further pointed out that the so-called Indian Oil industry is already enjoying protection to the extent of one and half anna per gallon—this being the difference between the import duty and excise duty on oil per gallon. They have secured the exemption of the excise duty on Petrol sent out of India, and this quantity is something like 4/5ths of the total Indian Petrol production. Thus Indians have to buy petrol dearer when the British people get it cheaper thousands of miles away. And it is the benign Government of India that has given this exemption to the British Oil interest in this country though it means good loss to the Indian exchequer. The Tariff Board while examining the question of whether the present rate-war would extend to petrol, can very fruitfully investigate this issue.

But now that the inquiry is decided upon, the committee wants to state that it should be a thorough inquiry from every point of view. The cost of production should be investigated, and opportunity should be given to the public to give evidence. The large interests of the Indian consumers should not be neglected. There is widespread belief that the present move for protection of the British Oil Companies in India is made in order to maintain the high level profits even in these days of all-round economic depression. The industry surely is not in danger of a collapse.

The Committee is against the demand of the so-called small companies for remission of excise duty on some portion of their initial output, and it further opposes emphatically any increase in import duty as it will affect the consumer and unnecessarily help Burma Oil Company, who have not only asked for protection but who are, on the contrary, reported to have conceived, organised and initiated this rate-war. In no case the Committee of this chamber can favour the enhancement of import duty on oil which has become a necessity of high level with all the rural and most of the urban population

of India, its industrial uses apart. On the contrary the Committee would welcome the abolition of the import duty on oil. To make up the resulting loss to revenue, the Royalty which the oil industry has to pay should be increased. Free import of foreign oil will bring down the price and at the worst it will to a good extent curtail the inordinate profits of the British Oil Companies in this country. India does not produce all her Oil requirements and foreign oil has to be imported.

The Committee of this Chamber would like to add further that the results of a full and a thorough investigation would enable all to see things in their proper perspective and they would strengthen the hands of Government and the public if need be to pass legislation on the lines of the United States anti-trust legislation, when the billigerents in present Oil-war cease quarelling and put up prices as in the past.

Bengal National Chamber of Commerce, Calcutta.

Letter dated 15th May, 1928.

The Committee of the Bengal National Chamber of Commerce have been supplied with a copy of the Resolution of the Government of India, Department of Commerce, No. 141-T (39), dated the 26th March, 1928, regarding the question of investigating the advisability of taking steps to safeguard the Indian Oil industry from injury inflicted by dumping. The Indian Oil Companies which have submitted representations to the Government of India asking for protection say that as a result of the price war raging between the Standard Oil Company of New York and the Royal Dutch Shell group kerosene is being sold at prices well below world parity resulting in serious loss to the Indian Companies.

The reference to the Tariff Board is mainly in regard to the determination of the following:—

(1) The price of kerosene that should be taken as "world parity at Indian ports".

(2) Protection against dumping of imported kerosene, and

(3) The likelihood of the price war extending to petrol.

"Dumping," is seems, is made to mean nothing more than the sale of imported kerosene in India at prices below world parity. The Report of Fiscal Commission as also that of the Tariff Board appointed to enquire into the cotton industry explained the term "Dumping". According to them the price at which the indigenous industry cannot compete with foreign enterprise cannot by itself constitute the case of dumping. The price quoted in the importing country must be less than that in the country of manufacture and unless an element of unfair competition in the position enjoyed by the more successful rival is found protection cannot be claimed. This "Unfair" competition has been explained in the British Safeguarding of Industries Act. Competition is characterised as unfair only when one or more of the following conditions can be detected—"depreciation of currency operating so as to create an export bounty, subsidies, bounties or artificial advantage inferior conditions of employment of labour—whether as respects remuneration or hours of employment or otherwise, obtaining among persons employed in the production of imported goods as compared with those which obtain among persons employed in the production of similar goods (in the importing country)".

It cannot be said that judged according to this standard the Indian Oil industry can reasonably claim protection at the cost of consumer in India. In the case of oil the world parity of its price practically means the average of the prices of the two contending parties which between them are responsible for the production of the overwhelmingly large portion of the world's total output, and so may be higher than the price offered by the more efficient

company. Even a lower world parity, if proved, would not therefore establish the charge of dumping. The Committee quote below the cause of higher producing capacity from the report of Sir J. Joyce Broderick, Commercial Counsellor of His Majesty's Embassy at Washington, 1917:—

"As in the case of not a few other industries, the existing *oversupply* of products results to a considerable extent from the high degree of technical efficiency attained for the purpose of coping with threatened shortages. Technical improvements of oil refining methods and notably, the invention of the 'Cracking' process are stated to have increased to 35 per cent., the proportion of gasoline recovered from the crude oil run through the stills and also to have made it possible to refine and derive gasoline from heavy crude oil previously usable only for fuel. . . . . There has been a steady advance in drilling efficiency which has rejuvenated many of the older wells and together with extensive new drillings and the discovery of record-breaking pools has enlarged the country's total production of petroleum."

The British Trade Counsellor, therefore, admits that oversupply is the natural outcome of technical efficiency and the discovery of record-breaking pools—resulting in the consequent fall of price. This admission stands against the theory of dumping in the present case and the real issue should be if the f.o.b. prices of oils as quoted by the Standard Oil Company is lower than the wholesale price quoted in America. The Tariff Board should take into consideration the labour conditions in the oilfields and the refinery of the two groups as there is reason to believe that the oil companies in India enjoy a clear advantage in respect of wages and working hours.

The Fiscal Commission laid down that "special stress should be laid on the Indian character of the companies" to be favoured by protection. No Company can be considered as Indian which is not registered in India with a rupee capital, has not a reasonable proportion of Indians as Directors on the Board and does not offer facilities for the training and employment of Indians in its services. It may not be out of place to mention here that the Burmah Oil Company which practically controls the industry in India can hardly be called an Indian company as the interest of Indians in it barely extends beyond the earning of wage-earners.

There is yet another point to which the Committee of the Chamber would refer that before any representation for protection is entertained the Tariff Board must be satisfied that protection granted to the Indian companies would not be extended to non-Indian oil through any scheme of pooling on the part of the Dutch Shell group. It passes the comprehension of the Committee of the Chamber why the oil companies in India should seek the help of protection at the first touch of a competition which is not likely to live long.

It is significant that when the resolution imposing a custom duty of 4 pence per gallon on Hydro-carbon oils was reached during the Budget discussion in the House of Commons on May 1st, 1928, Mr. Winston Churchill, Chancellor of the Exchequer, announced that he should introduce an amendment excluding kerosene from the scope of the duty. He admitted that he had received representations from the county Districts where electric light and gas were not available and kerosene consequently was largely used for lighting and cooking.

The argument adduced by the people of England applied with even greater force to India where except in a few scattered towns electricity and gas have not been harnessed to the service of man and where the largest majority of the people use kerosene oil. If a rich and prosperous country like England resents the proposals of imposing a duty on kerosene it is idle to think that India can contemplate with equanimity a proposal to impose a duty on imported kerosene especially when it is not in the interest of her teeming millions.

The Committee of the Chamber are of opinion that the arguments which militate against a protective duty on kerosene should be seriously considered in case of petrol also. India is slowly developing small industries and in the absence of electricity and gas, petrol is gradually taking a very important

part in the development of these industries. The difficult problem of communication in India is ikely to be solved by motor buses and motor launches and unless petrol can be had at a cheap price the development of industries, like the development of transport, will be seriously handicapped.

Under the circumstances the Committee of the Chamber after deliberate and careful consideration have come to the conclusion that the Government of India should on no account make it possible for the oil companies in India to take undue advantage of a oil war between two foreign companies, because they are confident, protection granted to these companies in India will create a great hardship to the people of the country and seriously handicap small industries here.

Messr. Gillander Arbuthnot & Co., Calcutta.

Letter dated the 18th May, 1928.

We have the honour to submit our representations in favour of granting some measure of protection to the Indigenous Petroleum Industry to assist it to meet the present unfair competition.

Our interest and our connection with the indigenous trade is that we are distributing agents for the products of the Indo-Burma Petroleum Co., Ltd., and the Attock Oil Co., Ltd.

We wish to associate ourselves with representations which have already been made to you as regards:—

(*a*) The moral aspect of the dumping in India of goods not produced under conditions customarily regarded as fair.

(*b*) The very serious losses which must fall upon those who have sunk capital in organising the production of indigenous supplies.

(*c*) The serious loss to the country at large which would follow the disappearance, in whole or in part, of this very important industry.

But in our capacity as distributing agents we claim to be particularly aware of the very large amount of Indian capital tied up in stocks purchased from our Principals and other indigenous concerns, a large part of which capital is likely to be irrecoverable should the normal course of business as between the producer and agent continue to be disturbed by the dumping of foreign supplies below the cost of production.

We are also very strongly of opinion that the inevitable effect of the elimination of the indigenous supplies will be the subsequent increase in prices to the consumer once he becomes dependent upon foreign supplies.

Thilawa Refineries (Burma), Ltd., Rangoon.

Letter dated 28th May, 1928.

We approach certainly not as opponents, but beg to lay before you suggestions, to put the indigenous petroleum industry on a sounder basis by placing it above outside competition, and thus to give to it a permanent protection. It may be, that we stand alone with this suggestion before the Tariff Board to-day, unfortunately because there is no co-operation between the European managed concerns and ours, which is purely financed and managed by the natives of the soil. The appealing companies rushed to the Government of India knowing too well their privileged position and strength, and did not for a moment care to consult the companies, which though not powerful as they are, are truly national and unavoidably connected with India or Burma, as the children are to their mother. Again, our voice may sound differently from those privileged companies, because though unfortunately ours also is

a business concern similar to theirs, with our awakened national ideas we stand with a burning desire not only to see our business carried to success but to raise our mother country to a position of glory and prosperity among other nations of the world. Our suggestions would therefore be not only for our own interest, but for the interest of every Indian and Burman.

Petroleum, like all other minerals, is a wealth which can be used only once, and once used it is lost to the country for ever and cannot be replenished. The wealth of the Indian Empire in Petroleum is very limited, and signs of exhaustion are already to be seen all around. Very expensive prospecting and drilling over a fairly long period have failed to discover any new and paying fields, in the Indian Empire. It is not known to us why the Government of India have never tried to keep any proved fields as a reserve for the future generation like the American Government, it may however be due to their knowledge that there is no new and prolific field available in India.

The position of the Indian Empire is becoming serious everyday, as in one hand the indigenous production of crude petroleum is going down and in the other hand the demand for all kinds of petroleum products is increasing by leaps and bounds, from year to year. If protection be given to manufacturers in India, by increasing the import duty or decreasing the excise duty, there will never come a day when the manufacturers in India shall stop crying for more, because, if there be any loss as alleged to-day, the cause for more loss and necessity for more protection would surely arise from year to year with a lower indigenous supply and higher demand. Thus by giving any protection to-day in the way, just stated, the Government would give a start in the wrong direction for an ever increase in the burden on the public.

The best way to protect the Indian petroleum industry would be, to make crude petroleum available in abundance to the Indian manufacturer at a reasonable price:—

(1) Then the entire local industry shall be given not only a great impetus but a very long lease of life.

(2) Not a pint of foreign finished petroleum product shall find a place in the Indian market.

(3) Expansion of the industry shall bring more employment and prosperity in general.

(4) The petroleum products shall be available cheaper in Indian Empire than pre-rate-war rates.

(5) The partly exhausted Indian fields shall get natural protection from the present costly exploitation and be automatically conserved for the future for much more profitable working. And all these without any loss to the refiners, relieving the burden of the poor consumer and fostering other industries in India by making chief fuel available throughout the country.

Production of crude in India is already limited, costly and insufficient, therefore it should be allowed to come from outside the Empire, so long as it does not compete with the local produce. Japan, Australia, England, France have extensive refineries which are partly or entirely dependent for their supply of crude from America, Persia or other countries. These refineries are being fed by crude produced thousands of miles away. Foreign crude, now-a-days, delivered at Rangoon at c.i.f. rate, leaves reasonable margin of profit, provided the custom duty is not taken into acount. The Government by charging a prohibitive custom duty of Rs. 5-4-0 per barrel of 40 gallons of imported crude, have not only stifled the expansion of old and inauguration of new refineries, but have always helped the manufacturers in foreign lands, by keeping the back door open for them, to market their products in India and compete with indigenous manufacturers. The present day refiners in India know, that very soon they shall be compelled to import foreign crude, if they want to keep their chimnies smoking, whether in the refinery or at home. Therefore the thing we are asking to-day, others shall also ask in near future, or they may ask only when we have been removed from the field of action. If our brother refiners do not support us in our appeal to-day, which

we dare say is the appeal of every right thinking Indian and Burma and which is life and death to us, they have no right to expect anything from the people of the Indian Empire.

A refinery, with a decent daily throughout capacity was started near Rangoon six years ago, and after working for a few months, had to be shut down for want of crude. A rich and influential party of Burmans and Indians then took over the refinery and have been trying in vain for the last three years to secure crude locally for their refinery, as the production of the crude was and is insufficient.

Our European brethren, awakened earlier to the magic touch of steam and electricity, got starts in industrial matters, under very favourable circumstances in acquisition of raw material and conquest of existing markets. We, the children of the soil, unfortunately though quite awake, find no paying field to work, and no market to enter, without keen and cruel competition, even in our own land. The Europeans not being satisfied even after monopolising the fields and markets, induced the ever-obliging Government to raise an unjust tariff wall against the importation of crude, so as to reign supreme for eternity in the Indian Empire, and had left not the ghost of a chance for a new concern to rise and stand. Though we the children of the soil, mostly used as hewers of wood and drawers of water, are thus sorely beaten almost to despair, we are not vindictive, neither do we want any favour at the cost of the Indian Government or any Indian and Burman. We want only fair play, and pray that this unjust and unreasonable taxation on imported crude should be abolished.

Confidential statements of working cost is submitted herewith to show that even a small refinery as ours can work with profit with imported crude at the average present day cost prices of purchase, freight, etc. In 1924-25, India imported about 72 million gallons of kerosene, the importations of later years must have been greater than that. Statistics of the Government of India show that out of a total annual consumption of about 500 million gallons, more than 40 per cent. of India's requirements in petroleum are met by foreign manufacturers, or the present refineries can be increased almost by 70 per cent. simply to meet her own demands. In 1926-1927, India imported about 8·5 crores of Rupees' worth of petroleum products. By helping to increase the refining operation in India simply to meet her own consumption, she can keep annually at least 4·25 crores of Rupees from sending out, can give direct employment to at least 50,000 people on an average pay of Rs. 60 a month or indirectly support a population of about 3 lacs of souls, and give a dividend of about 10·15 per cent. on the invested capital,—and these are not idle conjectures but based on sound calculation.

The nearest fields which can easily supply India with an abundance of crude are Persia, Borneo, and Java. Persian crude is now being shipped to Australia and England and sold to these markets after being locally refined at prices much cheaper than those prevailing in India, leaving the capitalist huge profits for handsome dividends and piling up of millions in reserve. The Borneo oil is also being sold by the Royal Dutch Shell Group in these lands of butter and honey. Java oil is in the hands of the Standard Oil Company. But there is no chance for us to get crude from any of these countries, as we may compete in our land of birth with companies incorporated in Great Britain or America! Our only possible source is America, where over-production and low tonnage have made it possible for India to import. This over-production is not likely to come down soon, or if it ever does, the fields in Mexico and Venezuela may meet our needs easily.

"The Burma crude petroleum has the advantage, that it requires either none or only light refining treatments" to quote the Directors of the B. O. C. Even at an equivalent price the American crude would therefore be more costly, due to the lack of wax in it, evaporation of light constituents during transport, and troublesome and expensive refining, owing to the high percentage of sulphur in it. The indigenous crude which is a far enviable raw material is subject to a royalty of As. 8, whereas a much inferior foreign crude is taxed Rs. 5-4-0 per barrel of 40 gallons, *i.e.*, at the same rate as imported

kerosene! Our appeal is that they should be placed on the same footing and the foreign crude should be taxed at the same rate as the indigenous produce is.

The cost of indigenous crude delivered at the refinery varies in India and Burma, with the distance of the location of the refinery from the fields, along with many other factors. The position of the Assam and Attock Oil Companies are very favourable in this respect, their refineries being situated in the fields. In Rangoon, the average cost of crude, delivered at the refinery is much cheaper in the B. O. C., who are the proud possessors of a pipe line, than the other companies, who carry their crude in barges. The average maximum price of local crude now-a-days in Rangoon does not exceed Rs. 11-8-0 per barrel, which can yield 23 per cent. of petrol, 55 per cent. of burning oil, 12·5 per cent. of lubricating stock, and 7·5 per cent. of wax allowing 2 per cent. loss in refining. American crude which would easily be available for us with 18 per cent. of petrol, 50 per cent. of burning oil, no wax and highly carbonaceous residue (not suitable for lubricating stock) requiring a very costly refining for making the products marketable would cost in Rangoon about Rs. 16 per barrel of 40 gallons, taking the present custom duty into account. If the duty be modified and subjected to the same rate as royalty is on the indigenous produce, the Rangoon price of American and Indian crude would be the same,—though adding 7·5 per cent. more for extra refining cost and 22·5 per cent. more for the superiority of the native crude, the American raw produce would be still 30 per cent. more costly to the Rangoon refiner.

It has been stated already that India produces only 60 per cent. of her requirements in petroleum, but given facilities, she can meet the entire demand, either by the extension of the present refineries or by the establishment of new ones. The present companies can this day increase the throughout by 35 per cent. more, if more crude be available at a reasonable price. By increasing the crude supply, the interests of the country could be served best, as it would bring contentment to everybody but the self-interested monopolist. This will enable the refiners to face the world competition without any protection and without costing anyone a single pie. The import of finished products would go down gradually to extinction, the consumer would get them at a reasonably low price, the country would become richer by retaining about 50 per cent. of the money that is being drained out now in purchasing the finished petroleum, peace and contentment would come to many a home in the Indian Empire by reducing unemployment and the Bug bear of Bolshevism would be found nowhere. The refiners would be richer than they are to-day through the expansion of their marketing sphere, the so called shy Indian money would pick up courage to take up a part in the country's industrial development, and the noble ideas conveyed in the recommendation of the Indian Fiscal commission and the establishment of the Indian Tariff Board would be realised and justified.

We have no faith in the statement of any Indian refiners that they "kept the price of kerosene requirements of the poorer Indian consumer reasonably within his limited resources and decided on maximum price policy," and so on. The poorer Indian consumer uses the worst grade of burning oil available in the market, because it is impossible for him to use any better. This article of commerce which is used in the Indian Empire for lighting by the poor consumer is not used in another country in the world for a similar purpose. They call it gas oil and use for manufacturing gas for heating or lighting purposes. Instead of indulging in such self-advertisement to show piety, nearer the fact would have been to say that the poor consumer was always a cause of salvation to them. They always confidentially confess, though only in whispers to their friends, that this poor grade of burning oil in India is the 'backbone' of the companies.

In 1918, Sir Thomas Holland stated "that the production of crude in the Indian Empire passed the figure 200,000,000, gallons. Since then there has been a steady fall in annual production and it seems that at least the long predicted decline of the fields is in sight". Dr. Pascoe's recent issue of the Records of the Geological Survey of India says about the oil production in

India, "there is now little doubt that this repeated deficit, small as it is, forms part of the evidence that the inevitable decline has set in, and with possible interruptions, is likely to continue during the present generation, unless a new field of importance is discovered. The chances of the latter recede year by year as exhaustive geological research continues to prove fruitless. A conservative policy rather than one of intensive development seems indicated, especially in view of the national importance of this mineral asset." The productions of Persia, Borneo, Java, U. S. A., Mexico, Russia, Venezuala, and Turkey cannot be said to "come to-day and cease to-morrow," as the fields of those countries quite unlike the Indian fields are wonderfully prolific and persistent in production. There are many single wells in those countries whose annual production is more than the entire annual production of India. This present over-production of the world is not going to stop soon and the pet dream of India's producing cheap crude is wild.

Taking the figure of 1926 the Government of India's income in import duty on kerosene is Rs. 10 millions, on Batching oil is Rs. 5,40,750, on lubricating oil is Rs. 6,83,845, on fuel oil is Rs. 14,69,707, making a total of Rs. 1,27,02,097. The present day daily throughout of all the refineries in India is nearly 50,000 barrels, which meets about 60 per cent. of India's demand. If the deficit of 40 per cent. of crude oil is allowed to come from outside India, then at the rate of an import duty of annas 8 a barrel, the annual revenue would be Rs. 36,50,000, the realisable excise duty on kerosene would be Rs. 91,25,000 (yield 50 per cent. on crude), and on petrol Rs. 1,31,40,000, a total of Rs. 2,59,15,000, an increase of cent. per cent., neglecting the other incidental revenue as income-tax and others.

The position of Japan is comparable with India in this line. She has insufficient home production, and the deficit is met by importation of crude, which is refined in Japan, as well as by finished products. The petroleum industry of Japan is of recent growth and is expanding very rapidly. The development is so rapid that it is expected that very soon they may stop importing finished petroleum product for their home consumption altogether. In 1926, the total native production of crude in Japan was 45 million gallons and they imported 58 million gallons for their refineries. In addition to that Japan imported 13 million gallons of Benzine, 17 million gallons of kerosene, and millions of gallons of other petroleum products. The excise duty on home finished produce is only 5·1 pies per gallon. The import duty on petroleum in Japan is levied in a sensible manner based on the percentage of lighter contents in the oil, in the cases of crue, benzine or kerosent. Heavier oils are taxed on a basis of specific gravity. If on analysis any oil gives a distillate not exceeding 20 per cent. by volume up to a temperature of 275° C, it is taxed Re. 0-14-6·3 pies per barrel, not exceeding 25 per cent. Rs. 1-2-8·2 pies per barrel, not exceeding 30 per cent. Rs. 1-4-9·9 pies per barrel, etc., whereas in India all imported crude (any oil with a flash point below 100° F) is taxed at the rate of Rs. 5-4-0 per barrel.

As far as we could gather from the press about the correspondence that passed between the Government of India and the Oil Companies (as annexure to resolution), we found that The Burma Oil Co., presumed themselves to be in a very critical position owing to their highly charitable disposition towards the poor Indian consumer and great moral sympathy towards the Royal Dutch Shell Group. We, as citizens of the Indian Empire, have unfortunately never found any cause to be obliging to any of these companies. Their first principle had always been business coupled with shrewdness. We too do not find any reason why moral sympathy of the B. O. C. towards her partner in business should be made a cause for further exploitation of the unlucky tax burdened Burman or Indian. In the rest of their discourse, we are sorry to state, that we found nothing but a nice play of words, which does not at all convince the honest citizen about the genuineness of their "distress". In short it may be said, that firstly all these seven companies with the exception of the I. B. P. C. have sterling capital. They all have European Boards (I. B. P. C., has one Indian in the Board) of directors, and controlled and managed by Europeans. Therefore none of them can have any

claim on the Government of India, as they cannot be said to be national concerns.

Secondly, the rate war was started by the B. O. C., I. B. P. C. and the Royal Dutch Shell Group, and therefore if there be any distress, they themselves are responsible for it. These companies can raise their prices again, and if the S. O. C. and V. O. C., follow suit, which most probably they would, as both the fighting parties admit that they are losing through this, there shall be no cause of any complaint.

Thirdly, all business have lean years to contend with and these Companies have huge reserves. They may utilise their reserve funds now to tide over the time.

Fourthly, India's total manufacture in oil meets only a part of her needs, therefore any protection would unnecessarily raise the price of the commodities and hit the community at large.

Fifthly, the prices which reigned in India in Kerosene before this rate war, and still reign in some other petroleum products, are unreasonably high in comparison with the cost of manufacture. Instead of going into particulars of cost, the annual balance sheets of the B. O. C., I. B. P. C. and the Royal Dutch Shell Group of Companies for the last four years would show this as conclusive evidence of our statement.

Sixthly, that a company here and a company there may stop to declare dividend for some time, but that may be more with a view to frighten the Indian shareholder to silently swallow this bait of 'protection' than for anything else.

In conclusion we beg to state that:—

(1) Import duty on finished petroleum products should not be raised until India can meet at least 90 per cent. of her needs by local manufacture.

(2) Excise duty on petrol should be reduced by anna 1 per gallon, to induce the Indian refiners to put up cracking plants to utilise the heavy residues which they are now using as fuel.

(3) Foreign crude should be allowed to come to India under favourable conditions making the import duty reasonable and sensible. The import duty on foreign crude should be fixed on a sliding scale (1) based on the value of the crude as to its contents of petrol and superior kerosene. In fixing the duty the intrinsic value of the crude as to its capability of yielding different marketable products should be kept in view with the extra expenses that it might cause to the refiner owing to its greater difficulty in refining.

The Motor Industries Association, Calcutta.

Letter dated 31st May, 1928.

I am in receipt of your letter No. 511 of the 14th May and note that it is not the intention of the Board to take any evidence in Calcutta.

My Association, therefore, wishes to place its views before you as the members' interests are very greatly affected by the application of the Oil Companies for protection in respect to petrol.

(1) The Association is not in possession of sufficient data to enable it to give authentic figures for comparative purposes, but, as they will undoubtedly have been made available to the Board, their absence in this case will not be a source of any difficulty. The Association would suggest for the earnest consideration of the Board the prices obtained for kerosene oil when petrol was in lieele or no demand and, therefore was not only valueless, but its disposal was a problem to the Oil Companies. The object of this suggestion is that the amount recovered per gallon of crude oil as it comes from the well may be properly appreciated in respect to the amount realised to-day.

(2) The Association wishes to draw attention to the fact that the Motoring Public has always been exploited by the Oil Companies to the fullest extent and it is only over-production that has brought prices to a reasonable level. That the present prices are not unremunerative is conclusively proved by the fact that the Burmah Oil Company declared a profit of £914,000 for its last financial year and was able to declare a dividend of 20 per cent.

(3) Petrol at the present moment is more expensive in the major Indian ports than it is in England in spite of the fact that the haul is very much shorter and that the cost of handling should be considerably cheaper. This difference is not so striking as it was when petrol was retailing in Calcutta at Rs. 1-14-0 per gallon, but it emphasises the fact that the Oil Companies take advantage of their practical monopoly to exact more from the consumer in India than they are able to do in England where there are other sources of competition.

(4) It has been possible for a number of years to import petrol at a lower price than that of the Indian Oil Companies showing that rates in India have not been maintained on the basis of world parity. It may safely be said that the only reason this has not been done is the amount of capital involved and the fact that any Corporation not in actual control of oil wells would be faced with a rate war which would put it out of existence.

(5) It is understanding of the members that the petrol marketed under the name of "Shell" has been and probably still is supplied by the Burmah Oil Company. It is assumed that "Shell" petrol is sold at a profit and, therefore, it appears possible for the Burmah Oil Company to sell its petrol at a lower price quite apart from the cost of distribution.

(6) The attention of the Board is drawn to the attached true copy of a letter from the Burma Shell Oil Storage and Distributing Company to Messrs. Dawndot and Kerr, Calcutta, from which it will be clear that the principal applicant for protection is using its virtual monopoly to endeavour to compel dealers to sell its Motor oils in preference to a competitive make, under the threat of intensive competition deliberately created in the event of non-compliance. It is understood that the verbal communication has been even more drastic. It is earnestly hoped that any recommendations which the Board may make will prevent dealers being threatened with the deprivation of their means of livelihood as, if protection is granted they will have no other source of supply.

(7) The Association need hardly draw attention to the very great importance of cheap petrol to the development of Indian rural districts. An excise of 4 annas per gallon is already levied and it is considered more than probable that the Road Committee will recommend a petrol tax. The latter is not open to objection because the funds so realised will be definitely spent for the benefit of the consumer of the petrol, but any step which will raise the cost of petrol for the benefit of Corporations who have shown themselves entirely indifferent to any consideration but their own profit in the past is certainly open to more serious objection.

(8) The attention of the Board is drawn to the fact that the declared value of petrol for export for many years was 2 annas 6 pies per gallon, and it is to be assumed that the companies would not make year after year a false declaration. It is suggested that the Board should enquire into the reason why this figure has not been maintained in view of the fact that the enormously increased output should have resulted in more economical production and, despite increase in various directions, should not have affected petrol to such an extent, unless the enlarged capital calling for further dividends has not been justified by an actual increase in the assets of the Company and so an artificial increase in prices has been necessary to provide the continued profits.

(9) The suggestions of the Association are:—

(1) That the Oil Companies have forfeited any claim to sympathy by the deliberate exploitation of the consumer in India.

(2) That unless the profits have been dissipated through unnecessarily inflated capital or through uneconomical methods the Company should be in an impregnably strong position—and

(3) That in either case protection should not be granted as it is only the threat of competition that has enabled the consumer in India to obtain petrol at a reasonable price.

(10) My Association would not oppose assistance being granted to the Oil Companies if it was coupled with a condition that the present prices of petrol should be maintained, but in any other alternative it considers that the Oil Companies should have no difficulty in effectually meeting any competition which is likely to be experienced.

Enclosure.

Letter dated 5th April 1928, from the Burma-Shell Oil Storage and Distributing Company of India, Limited, Calcutta, to Messrs. Dawndot and Kerr, 206-2, Upper Circular Road, Calcutta.

We write to confirm the interview our Mr. Wise had with you on the 2nd instant and hope we shall have the pleasure of receiving an order for Shell Motor Oils within the course of the next few days.

We remind you that Shell Motor Oils have fully justified their claim to be the best obtainable and as our brand has always been marketed at the same rates and subject to almost similar discounts as mobil oil, we are relieved of the necessity to permit the Vacuum Oil Company to make use of our petrol organisation in order to find a market for its products. We therefore appeal to you, as a member of our petrol organisation, to make every possible effort to convert your customers from the use of mobil oil to "Shell" and we hope you will be influenced by the value of petrol to you as a means of obtaining business in tyres, accessories, etc.

You do not appear to have appreciated the gradual change that is taking place in the method of handling the petrol and motor oil business and the extent to which the relationship existing between ourselves and the petrol organisation must be governed by the volume of business done by a petrol agent or dealer in the Company's products other than petrol, specially in that product most closely related to petrol namely, motor oil. By asking our petrol pump dealers to confine their business in motor oils solely and absolutely to those marketed by us we are imposing no hardship on them since experience has shown us that a conscientious effort on a dealer's part invariably results in the transference of business from other Companies' brands of motor oil to our own.

Unless you can confirm that it is your intention to make an immediate effort to end your dealings in mobil oil, displacing that brand with "Shell", the goodwill at present existing between us, because of your business relationship with us in petrol, will be adversely affected and might ultimately result in the appointment of a new petrol and oil dealer in your own vicinity in an effect to obtain a reasonable share of the motor oil business of your locality with our own brand.

Mr. M. A. J. Noble, Bombay.

Letter dated 14th April 1928.

As one who has been associated with the indigenous Petroleum Industry of India for over fourteen years, I have the honour to submit for the consideration of the Tariff Board my views as to why the indigenous industry should now receive some measure of protection from the Indian Government.

(1) I am a large shareholder in the British Burmah Petroleum Company, Limited, holding over 42,000 shares.

(2) I was largely responsible for the shares of this Company being taken up by Indians and I feel my responsibility towards those others who followed my advice in investing their capital in the indigenous Petroleum Industry.

(3) The ordinary capital of the British Burmah Petroleum Company, Limited, is largely held by Indians who may surely expect that their Government will protect them from ruin through the 'dumping' of foreign oil at unremunerative and un-economic prices.

(4) The opponents of protection say that the present oil war is giving to India the advantage of cheap Kerosene. Only those who are ignorant of the subject or who take a short-sighted view can believe this, or that India will benefit if the oil war is indefinitely prolonged. In the first place, it is only the indigenous companies which have supplied the Indian demand for cheap Kerosene. The foreign importing companies have only supplied superior qualities, the price of which puts them beyond the reach of the poorer classes of India. If the oil war goes on until the indigenous companies are ruined, it is not likely that the foreign importers will then cater for the cheap Kerosene market which they neglected when Kerosene prices were normal. In addition, if the importers of foreign oil are successful in their attack on the indigenous trade, they will undoubtedly put up the price so as to recover the losses they have incurred during the period when the fight was on. Where then will be the benefit to India? It will have lost the cheap oil which it formerly enjoyed, and will have to pay a higher price for the superior qualities than it did before the oil war started.

(5) In the Report of the Indian Fiscal Commission it is suggested that an industry should fulfil three conditions to entitle it to protection. It should (1) be of national importance, (2) without assistance be unable to continue and (3) if afforded help be able ultimately to stand on its own feet. There can be no doubt that the indigenous Petroleum Industry comes within these stated conditions. Taking the last condition first, for nearly a generation the indigenous companies have carried out their useful work of making available to the Indian public the manufactured products from Indian Petroleum deposits. They have stood on their own feet in the past, and if protected from unfair 'dumping' they will stand on their own feet again. That the industry (or that important part of it represented by the smaller producers in the aggregate) will be unable to continue unless afforded assistance can scarcely be doubted. Your honourable Board will doubtless receive overwhelming evidence on this point from the official representatives of the companies. That an indigenous Petroleum Industry is of national importance scarcely needs to be argued. The importance which all nations attach to encouraging their own petroleum resources is a sufficient answer. Where would India have been during the World War but for its indigenous petroleum industry?

(6) It may be suggested that India might still have an indigenous Petroleum Industry even if the oil war destroyed the smaller companies. But if that industry only existed as a monopoly it could not be of the same value in the development of the oil resources of India as at present. And if no help is given to the companies which have laboured so arduously in the past, it is not likely that capital will be attracted in the future.

I shall be happy to attend before the Tariff Board if it is thought that my evidence upon any of the foregoing points may be of benefit to it in its deliberation.

Mr. Walchand Hirachand, Bombay.

Dated the 17th April 1928.

Forwarded with compliments to the Secretary to the Tariff Board, Rangoon.

Enclosure.

THE BURMAH OIL COMPANY, LIMITED.

Working of 100 shares of £1 each purchased in 1902 at par.

Year ending 31st December.	Nominal face value of share paid up.	Dividend paid in per cent	Dividend paid in amount.	Remarks.
	£		£	
1909 . . .	100	...	...	Figures not available for 1909 and previous year.
1910 . . .	150	20	30	In July 1910, a share bonus of 50 per cent. was paid out of Reserves.
1911 . . .	150	15	22½	
1912 . . .	150	20	30	
1913 . . .	150	27½	41¼	
1914 . . .	150	27½	41¼	
1915 . . .	150	27½	41¼	
1916 . . .	150	30	45	
1917 . . .	150	32½	48¾	
1918 . . .	225	30	67½	In July 1918, a share bonus of 50 per cent. was paid out of Reserves.
1919 . . .	225	50	112½	
1920 . .	405	30	121½	In July 1920, a share bonus of 80 per cent. was paid out of Reserves.
1921 . . .	405	30	121½	
1922 . . .	405	30	121½	
1923 . . .	405	30	121½	Exact figures not available.
	405 × 4½* = £1,822½		£966	*Plus* dividend for 1924-25-26. @ £121½ per annum = £364½. Total £1,330½ in 17 years. Average 78¼ per cent on original purchase price of £100 in 1902 when Company wsa floated.

* £4½ is the present price of a share of £1 each.

	£
Besides general Reserve Funds	800,000
Insurance Reserve	420,000
Fire and Marine Insurance Fund	613,106
Carried forward	382,133
	2,215,239

Apart from depreciation written off as follows:—

	Depreciation.	Against total Block.
	£	£
Refineries, buildings, etc. . . .	1,333,395	1,897,629
Pipe lines	455,741	849,560
Fields electrification . . .	100,000	806,644
Tankers, boats, etc. . . .	1,013,805	1,930,318
	2,902,941	5,484,151

While oil wells, boring plant, purchased oil lands, tanks, buildings, etc., have been written down to £372,689.

(Heaven knows against total block of £4,000,000.)

NOTE.—This is from information published in Skinner's Stock Exchange Year Book for 1925.

Mr. A. C. Martin, Rangoon.

Letter dated 4th May 1928.

I have the honour to address the Tariff Board in reference to the production of oil supplies in Burma which is being impeded by the Oil War now proceeding.

I have followed the public evidence as reported in the press with the closest attention and have noted that the President of the Board is considering the question of augmenting the supply of the natural raw material by allowing the free importation of crude oil sufficient to make up the deficiency between the crude production of India and Burma and the demand for petroleum products in India and Burma.

I am in the position to prove that the requisite supplies of petroleum are available in Burma to-day and to state that, but for the present Rate War, extraction operations would have been started on the Mepale Shale concessions in which I am interested.

The Mepale Shale concession is situated in the Mepale district of Amherst, Eastern Burma, and covers an area of approximately 40 square miles. This area is comprised of three separate concessions namely my own, measuring 10 square miles, Dr. Shaw Loo of Moulmein's area, 13 square miles and the balance leased by M. E. Moolla of Rangoon. The three areas are contiguous and have been taken together in forming the Mepale (Burma) Oil Company, Limited.

The vast and rich shale field forms one of the greatest available sources of oil within the Empire and it is believed to be one of the world's greatest oil reserves.

So enormous did the potential value of the area appear that it was decided to employ the best technical experts that were available within the British Empire to report on the proposition and accordingly, the undernoted authorities were engaged to visit and report on the Shale field:—

Professor J. W. Gregory, D.Sc., F.R.S., M.I.M.M., Professor of Geology, University of Glasgow.

Mr. David Rankine, M.E., of Messrs. D. & G. R. Rankine, Mining Engineers, Glasgow.

Mr. Campbell M. Hunter, O.B.E., Petroleum Technologist, London.

The extremely favourable reports of these gentlemen are available for your inspection if desired.

The extent of the concession as a potential source of petroleum supply has not yet been ascertained but some indication of the immensity of the possible supplies is afforded by the following extract from Mr. Campbell Hunter's Abridged Report:—

> "There are at least six seams of good oil shale, but for initial and economic reasons, attention should be first directed to the development and exploitation of the Main Seam, averaging six and a half feet in thickness. Within a strip of only two miles by three miles in the Moolla leasehold alone, we may visualise a probable extraction of at least 40,000,000 tons of shale, which is equivalent to over 40 years working on the basis of 3,000 tons a day.

> "The areas leased extend to 40 square miles and as there is little or no doubt that the shale bodies extend to Tawok, a greatly increased quantity of shale should be available, which would permit of an even larger rate of daily extraction.

> "*Oil Yield.*—Under high temperature retorting conditions, the shale yielded, *inter alia*, an average of 43,75 Imp. gallons of oil (sp. gr. 869) and 15,000 cubic feet of permanent gas per ton. When, as is now proposed, low temperature retorting is resorted to, it is reasonable to assume a higher yield of oil and less gas. For the preliminary purposes of this Report, I have assumed an oil yield of only 45 gallons per ton, a figure which I am confident will be found conservative".

A year ago I proceeded to England to endeavour to arrange the floatation of a company to work the concessions. Mr. S. P. Hodge, Chairman of the Manor-Powis Coal Co., Ltd., Glasgow, had acquired an interest from Mr. Moolla and Dr. Shaw Loo and he provided the necessary funds to enable experimental tests of the shale being carried out in a special Retort erected in the South of France and such other preliminary testing operations as have been considered necessary.

It was arranged to form a pilot company to be called The Mepale (Burma) Oil Company, Limited, with a capital of £250,000. This pilot company, it was considered, would be able to commence operations by retorting 500 tons of shale daily, with the annual output of not less than 170,000 tons shale or 7,650,000 gallons of crude oil. When the pilot company proved the project to be a commercial success and the marketing side of the business had been established, the intention was to form a major company with the capital necessary to enable the fullest exploitation of the concessions on a major scale.

All arrangements for capital were satisfactorily arranged and were in fact on the point of realization when the Oil War started. The imdmediate effect of this war was to frighten off capital and there seems no chance of attracting it again for some considerable time unless Government now give a clear indication that indigenous industries will be protected from foreign influence of this nature and that ventures in the search for and development of the natural mineral resources of the country will be afforded official encouragement.

I shall be pleased to show you all papers, reports and the prospectus of the Mepale (Burma) Oil Company, Ltd., if you require it.

The position finally is this however, that India needs more indigenous petroleum and it is here waiting for development in enormous volumes. The Oil Shale industry is a new industry for India and as such it can claim Government assistance.

Mr. S. S. Halkar, Rangoon.

Letter without date.

I beg to lay my view as follows:—

This question has been agitated because it affects B. O. C. It is said there is fear that in the tug of war between the bigger groups the Smaller India Concerns may be driven out; these Smaller Concerns when in need of financial help made appeals to the Government but the Government refused to render any help saying they are not pioneer industries. Now that the position of B. O. C. is a bit in danger, a reference to the Tariff Board is made on the excuse of protection to the Smaller Concerns. Be that as it may. Any duty or protection means making the commodity dearer to the consumer whereas the consumer's interest has always been the cry of the Government. When urged by the Cotton Millowners to raise the import duty on Lancashire piece-goods, consumer's interest becomes the trump card of the Government. Why then within a few months of Oil competition a reference is made to the Tariff Board? The answer is that it pinches the European Firms. The only solution is to render financial help to the Smaller Indian Concerns if their interest is sincerely in view and not to impose any duty on the foreign competition as the article is a necessity; and not a luxury. The cheaper the article, the better for the general consumer. Consistency requires that the Government should have nothing to do with the manufacturer or shareholders. The B. O. C. can have the Government to impose heavy tax on petrol or other products exported. Cost of production is omitted from the terms of reference.

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